SONY

Corporate Report **2023**

Purpose

Fill the world with emotion,
through the power of creativity and technology.

Values

Dreams & Curiosity

Pioneer the future with dreams and curiosity.

Diversity

Pursue the creation of the very best by harnessing diversity and varying viewpoints.

Integrity & Sincerity

Earn the trust for the Sony brand through ethical and responsible conduct.

Sustainability

Fulfill our stakeholder responsibilities through disciplined business practices.

A Creative Entertainment Company with a Solid Foundation of Technology

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Business Segment Abbreviations
G&NS: Game & Network Services
ET&S: Entertainment, Technology & Services
I&SS: Imaging & Sensing Solutions

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Contributing to Creativity with a Long-Term Vision

Kenichiro Yoshida

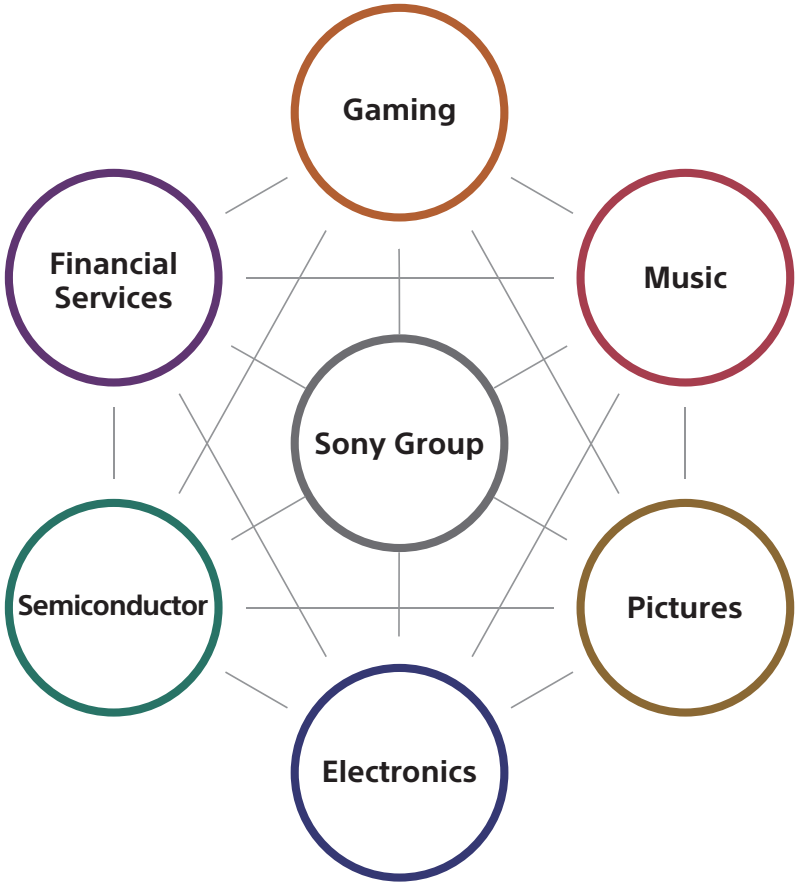
Representative Corporate Executive Officer,
Chairman and CEO

Management from a Long-Term Perspective Focused on *Kando* and People

In the same spirit as our founders, we at Sony strive to manage our operations with a long-term perspective. In 2019, building on that cherished legacy of vision and the key concept my predecessor Kazuo Hirai passed down to us, *Kando*, I defined the Sony Purpose. Now our roughly 110,000 Group employees work in concerted effort to create new value with the shared Purpose to "fill the world with emotion, through the power of creativity and technology." That perspective guides our Corporate Direction, "getting closer to people," which to us means focusing on people, specifically the creators who generate *Kando*, the users who share that *Kando*, and our employees, who operate our businesses under our shared Purpose.

Looking back on its history, it is evident that Sony and its businesses have evolved with a long-term vision. The launch of CBS/Sony Records in 1968 was the starting point for our entertainment business. Since then the company has diversified from the music business into the pictures and game businesses as well. These three entertainment businesses have accelerated their growth, especially since FY2012. In FY2022, their sales and operating income together exceeded half of those for the consolidated Group. Our Financial Services business, meanwhile, carries important symbolic significance. Akio Morita, one of our founders, started Sony Life in 1979 with a 20-year vision, and in the two decades since its founding it has successfully eliminated all its accumulated losses. Our Financial Services segment supported the Group in the wake of the 2008 recession, and today continues to bring in reliable profits.

It has been five years since I took office as CEO, and my highest priority continues to be value creation with a long-term perspective, centered on *Kando* and people. In recent years our priority initiatives under the Purpose have been to reorganize the Group architecture, focus on creativity, and expand the *Kando* space.



Evolution of Group Architecture

We reorganized the Group architecture in April 2021 to evolve our businesses, centering our diverse portfolio as our main source of strength. This was done with the aim of

spinning off the electronics business from the Group headquarters and connecting each business at an equal distance based on the keyword *Kando*. Presently, we are accelerating cross-business collaboration, and the architectural reorganization of the Group has boosted synergies, not only between electronics and entertainment, but across the wide range of content IP that our entertainment businesses create and use.

Despite a challenging environment, all our business segments remain agile in their operations, managed with a long-term view. I believe the integration of self-sustaining management practices throughout the Group has made this possible, allowing us to share the vector of our Purpose and build our strategies with that as a strong foundation. I think my most important achievement as CEO has been to define the Sony's Purpose and ensure that it is central to our corporate culture.

Focus on Creativity

To fulfill our Purpose, Sony is committed to creativity as the source of *Kando*. Consequently, at Sony we strive to be the first choice of the creators who generate *Kando*, and to be their most preferred brand worldwide.

Enhancing *Kando* Creation (Content IP)

To create and deliver *Kando*, we work continuously to build and enhance content IP. While we invest in content itself, we also invest in increasing our capacity to create *Kando* by getting closer to creators. Over the past five years we have invested approximately one trillion yen in content IP.

To deliver the products of our creators to as many users as possible, cross-business collaboration within the Group and joint effort with our partners are essential. We are making progress in the production of film and television adaptations of PlayStation® game titles. *The Last of Us*, for instance, became the most-watched show in the history of our partner service Max* in both Europe and Latin America as of March 2023. That mega-hit boosted sales of *The Last of Us* game software as well as the streaming numbers for the show's theme song, from Sony Music Publishing.

We are also working on direct-to-consumer (DTC) services in areas such as anime to deliver *Kando* to specific groups of people called Communities of Interest, which are communities of people with shared interests and motivations connected by *Kando*. These DTC services are initiatives to help us learn from users while contributing to the work of our creators. Crunchyroll, a DTC service specializing in anime, feeds viewership data back to creators. It also works to connect anime fans worldwide with our creators through events like the 2023 Anime Awards, which was held in Tokyo for the first time. Under the long-term vision of expanding the number of people directly connected with the Sony Group to over one billion, we will continue delivering *Kando* in specific areas, including anime, games, and in India, and make use of them in our other creative initiatives. India is not only a market for sharing *Kando*, but also a place of vast creativity itself with many creators.

* Previously HBO Max

Enhancing Creativity in Products

Among creators, technology is one of the factors to make Sony the brand chosen by creators around the world. In our ET&S segment we put effort into technologies and services that can more readily support them and reinforce their creative work.

Our VENICE digital cinema camera is widely used not only by Sony Pictures but also by other Hollywood studios. Recently it was used in *Top Gun: Maverick* and *Avatar: The Way of Water*, as well as in *Gran Turismo: Based on a True Story*, released this year. We are also focusing on virtual production to support new kinds of visual expression. Here, in addition to cameras and displays, we are intensifying our collaboration with Epic Games, the developer of a real-time CG technology game engine. Best known for its officiating services, Hawk-Eye Innovations (Hawk-Eye) is also growing, centering on technology to help generate *Kando* from sporting events. More widely, it is helping evolve sports entertainment by strengthening ties with Pulselive and Beyond Sports, the latter of which Sony acquired in November 2022.

Creation Semiconductors

CMOS image sensors are indispensable as a technology supporting creative work. They help fuel the evolution of interchangeable-lens cameras and cinema cameras. I call them "creation semiconductors" because they create *Kando*.

Furthermore, Sony's CMOS image sensors are contributing to users around the world becoming creators, through smartphone cameras. Over the past five years, we have invested more than 1 trillion yen in this area, and we will continue to focus on key devices that support creation.

Expansion of *Kando* Space

In our pursuit of *Kando* we are also working on initiatives to expand the field of *Kando* from physical spaces into virtual and mobility spaces. The virtual space created by game technology is both a place of creation and a place where people connect with each other. Live service games are a core example. In addition, we are working on live performance in virtual spaces, in which musical artists and fans can share time and presence, and initiatives that increase engagement among sports fans.

I also think it is important to create connections between the physical and virtual worlds. Through technologies like virtual reality, which takes people into virtual worlds, the mocopi mobile motion capture system, which makes creation easy and fun, and our skeletal tracking system, which reproduces the real movements of athletes, we are working to seamlessly connect virtual and physical spaces. Gran Turismo Sophy™, a racing AI agent that enhances experiences in the game space, is an example of linking these spaces through AI. AI is positioned as an important technology for expanding the

creativity of creators, and we will continue to promote research and development in this area along with social implementation.

In the mobility space, we plan to contribute to the evolution of mobility in areas such as imaging and sensing technologies, and entertainment, as well as communications and networks including 5G. We are introducing these technologies to the car we are developing under the new AFEELA brand from Sony Honda Mobility, a joint venture between Sony and Honda. We also expect to collaborate with Epic Games in pursuit of new entertainment possibilities applying the Unreal Engine real-time 3D-production tool. In the future, we hope to extend the field of *Kando* to outer space, and with our STAR SPHERE project we intend to explore emotional experiences made possible through our EYE nanosatellite.

Diversity and Sustainability

To "fill the world with emotion," as Sony's Purpose intends, with a long-term perspective, it is necessary for our society and the planet to be able to assure us of peace of mind in daily life.

Sony is carrying out sustainability initiatives to fulfill our responsibility to society and the environment, and to contribute through our technologies and businesses. As part of Road to Zero, our long-term environmental plan formulated in 2010, in 2022 we moved the target year to achieve a zero-carbon footprint for the entire Sony Group up from 2050 to 2040. To achieve these new targets, all Group firms are making across-the-board efforts to promote the use of renewable energy at our business sites while also aiming to reduce energy consumption. We are working to reduce our environmental footprint with technology, including edge AI sensing, which we are applying to distribution, as well as reducing energy consumption during data transfers.

Image taken by our EYE nanosatellite

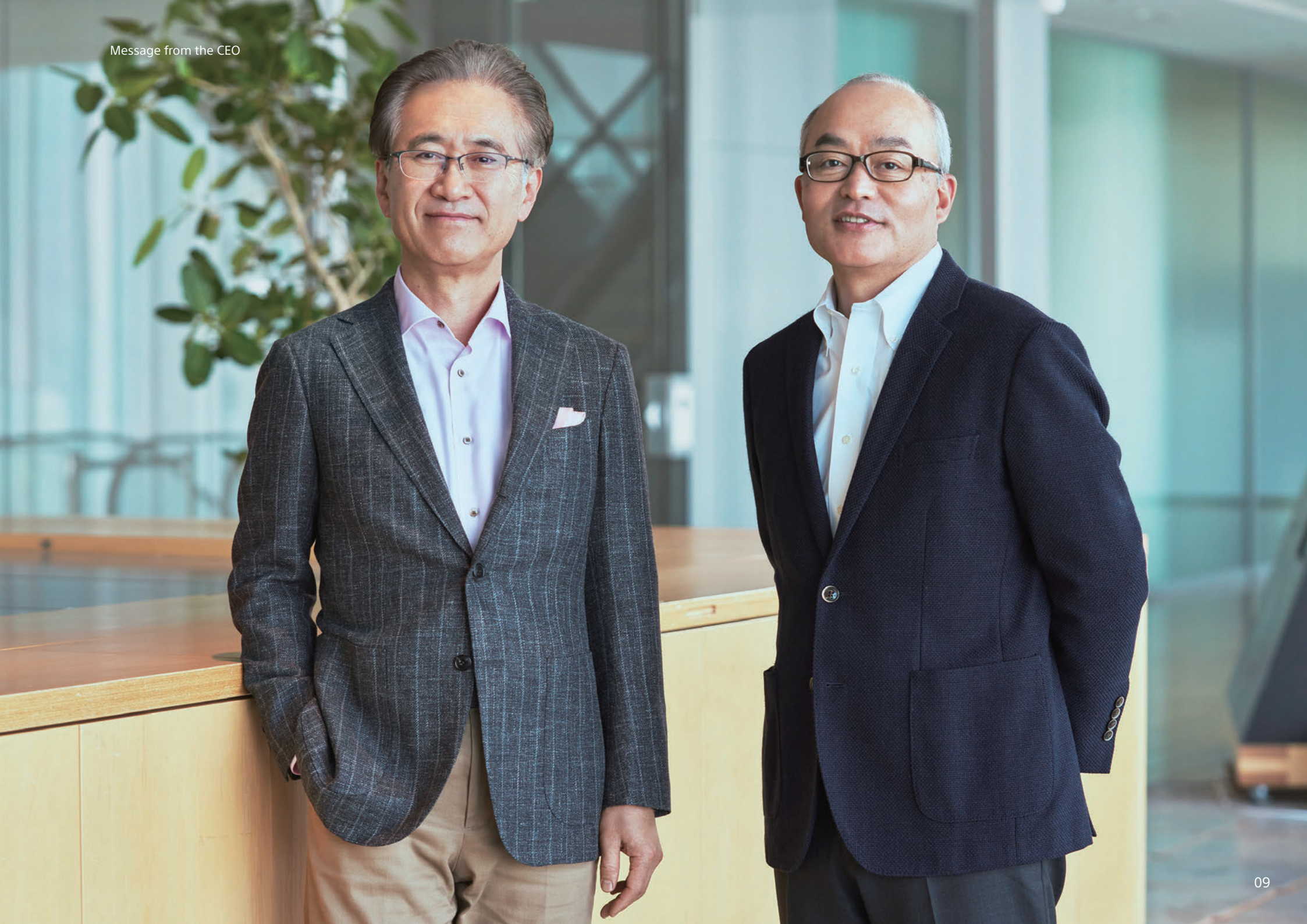
To make our world more sustainable, it is also important that Sony responds to the needs of all kinds of people through its businesses. For the PlayStation®5 (PS5™), for example, in addition to enhancing accessibility functions we have the Access™ controller, a dedicated controller kit, scheduled for launch. We are continuing to make our products and services more accessible, and through our businesses, help diverse people share *Kando*.

Diversity is essential to the sustainability of Sony as a corporation. Earlier I mentioned management with a long-term perspective, which began with our founders. I also think that diversity is a value they entrusted to those of us who follow them. Sony is striving to grow, strengthening and making the most of the diversity of our businesses and employees, which we have cultivated throughout the organization for many years.

Value Creation Based on Our Purpose in the New Management Structure

In April 2023, Hiroki Totoki took the office of President, COO and CFO of Sony Group Corporation, and I that of Chairman and CEO. We made this executive shift to strengthen the Group's management architecture. By appointing Totoki, with his deep understanding of each business operation, as President, COO, we hope to grow our value creation going forward.

With its new management structure, Sony is working to evolve as a creative entertainment company with a solid foundation of technology. People have always sought out entertainment, but along with its importance as a growth business segment, entertainment carries great social significance in connecting people, rather than sowing division. Along with our creators, Sony will aim to continue building value with a long-term vision, creating a spectrum of *Kando* and spreading it to the world.



Greater Diversity and Growth

Hiroki Totoki

Representative Corporate Executive Officer,
President, COO, and CFO

In April 2023, I had the honor of taking the office of President and COO of Sony Group Corporation. While feeling the gravity of the responsibility this assignment brings me, I am grateful to the Board of Directors, the team of executive officers, and all our employees and business partners.

Since joining Sony in 1987 I have had management experiences I could never have had elsewhere — starting up Sony Bank, taking So-net public, and rebuilding Sony Mobile, to give just a few examples — and embraced challenging opportunities while learning a lot from failures as well. As I built my career, I came to increasingly feel that business and management are primarily about trust, and that it is important to increase the value of what was passed down to me by my predecessors, and what will pass in turn from me to the generations that follow. From that perspective the good stewardship of Sony's heritage will be the greatest of my personal challenges going forward.

Looking Back on FY2022

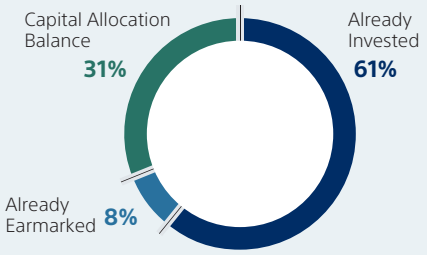
Our fourth mid-range plan (FY2021–FY2023), on the theme of Sony's evolution, was written to evolve and grow the Sony Group through investment in content IP, DTC, technology, and inter-business collaboration. FY2022, the second year of that plan, was the third consecutive year of record-breaking sales and operating income. Despite the great changes in our business environment — including increasing geopolitical risk, economic stagnation worldwide, instability in the financial markets, and supply and distribution challenges — we have been able to report these very positive financial results. I think this is because all our business units have responded to change with agility as they go ever deeper in their respective pursuits, with constant utilization and exploration. I think this is an important factor in Sony's continuing evolution.

At the same time, working capital has increased due to the need to fill out inventories in the G&NS segment, which is accelerating production and sales of the PS5™, and in the I&SS segment, which is placing a priority on expansion of production capacity for future business growth. Along with this, operating cash flow decreased substantially compared to FY2021, except for our Financial Services business. Rebuilding that to healthier levels by managing working capital is one of our major challenges for FY2023.

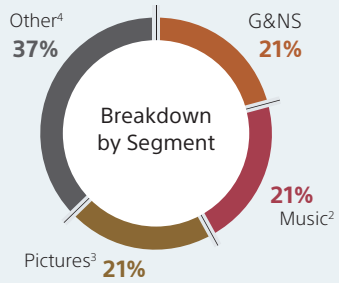
Our three entertainment segments — G&NS, Music, and Pictures — have steadily deepened their business foundations through active investment. Despite the tough business environment, ET&S has shown stable profits as a result of committed strengthening of operations and cost control. The I&SS segment is working to further secure its leading position in terms of higher added value in the area of image sensors for mobile, and is preparing to accelerate growth again with the anticipated recovery of the smartphone market. In the Financial Services business, meanwhile, attractive new insurance products have helped increase new policies.

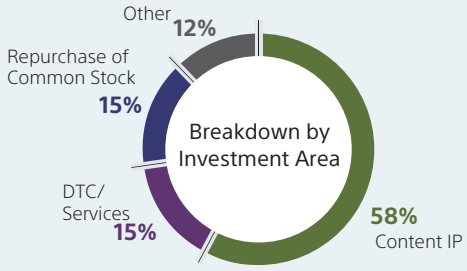
Progress with Strategic Investment under Fourth Mid-Range Plan (As of April 28, 2023)

Progress toward 1.8 Trillion Yen



Breakdown of Total Strategic Investments Made or Earmarked[1]: About 1.24 Trillion Yen[2,3]





1. Cumulative total from April 1, 2021 to April 28, 2023 2. Excluding 110 billion yen invested in music catalog included in operating cash flow
3. Excluding the amount to be invested in Sony Pictures Networks India (SPNI) in preparation for merger with Zee Entertainment Enterprises Ltd. (Zee)
4. 'Other' includes strategic investment in ET&S and I&SS segments and repurchases of shares of common stock of Sony Group Corporation.

Progress on the Fourth Mid-Range Plan

As I mentioned, under the fourth mid-range plan (MRP) we are working to evolve and grow the entire Group by investing in content IP, DTC, technology, and inter-business collaboration.

In strategic investment in M&A and content-asset acquisitions, we either invested or earmarked for investment 1.24 trillion yen as of April 2023. Adding in that figure for FY2021 makes 69% of our planned level for the three-year period. The content IP and DTC fields constitute a large part of our investment targets, illustrating our strategy to raise content value and get closer to creators and users. We are also active in joint efforts and collaboration with acquired firms. AWAL in the Music segment, for instance, is already contributing to the Group's business expansion in its growth market, as is Crunchyroll in Pictures. In the G&NS segment, collaboration between the Group's game studios and new acquisitions like Bungie, Inc. (Bungie) is in progress, hopefully to become dynamic engines for growth in software development. Our capital expenditures are actively focused on enhancing production capacity for growth of the image sensor business.

As a result of these initiatives, our business portfolio has evolved, orienting more toward our growth segments, specifically G&NS, Music, Pictures, and I&SS, which together accounted for 68% of consolidated Group sales in FY2022, up 8 percentage points from the corresponding ratio for FY2020, the final year of the previous MRP.

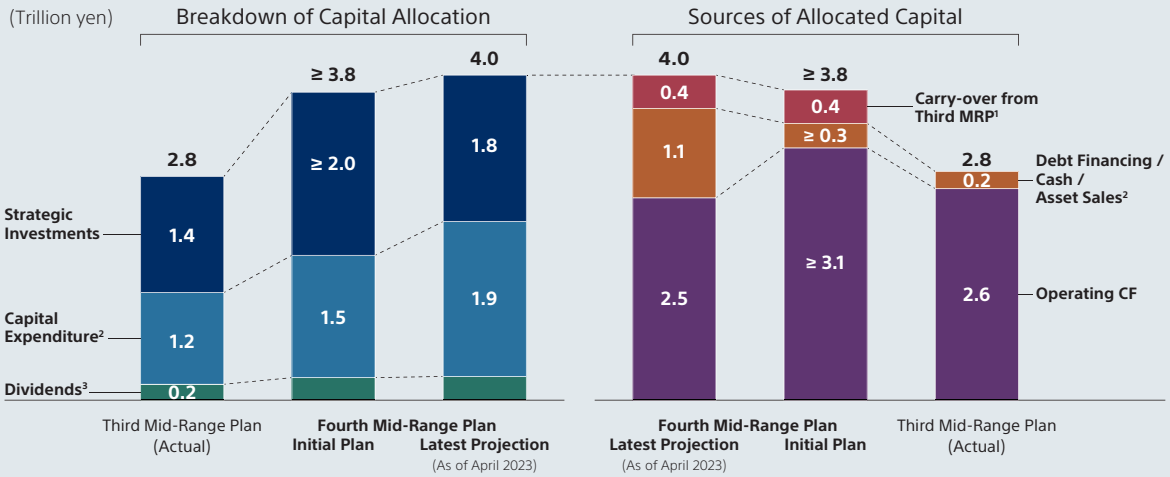
The fourth MRP puts greater emphasis on sustainability initiatives. Our business units independently identify their priorities and implement initiatives effectively with the aim of achieving their respective goals based on the characteristics of each business. The Music segment, for example, is supporting artists in various ways, and G&NS is working to make its products and services more accessible, both of which put Sony ahead of

Fourth Mid-Range Plan (FY2021–FY2023) Progress of Financial Targets

	Financial Targets	Latest Projection (As of April 2023)
Adjusted EBITDA Three-Year Cumulative Totals[1]	**4.3 trillion yen**	**5.0 trillion yen** (up 16% from target)
Third Mid-Range Plan Results (Reference)[1,2]	3.5 trillion yen	

1. Sony calculates adjusted EBITDA by adjusting constituent line item amounts disclosed in Financial Statements, presentation materials for Earnings Announcements, Quarterly Reports, and Securities Reports, to the extent that Sony deems amounts nonrecurring. For further details about Adjusted EBITDA, including formulas and reconciliations, see FY2022 Consolidated Financial Results on page 24. From FY2023, amortization for internally-developed game content and master recordings included in content assets will be excluded from the depreciation and amortization expenses in the calculation of Adjusted EBITDA. Due to this change, the figure for Adjusted EBITDA for the comparative year, FY2022, has been reclassified, whereas the figures for FY2021 and earlier have not, because the effects of this change are immaterial.
2. FY2018–FY2020. Despite accounting differences between US GAAP (applied for the third MRP) and IFRS (fourth MRP), Sony believes that disclosure of actual results of adjusted EBITDA in the third MRP may be useful as references for investors.

Capital Allocation (Excluding Financial Services)



Note: Fourth mid-range plan covers FY2021-FY2023; third mid-range plan covered FY2018-FY2020.
1. Improvements in cumulative operating CF for third mid-range plan from end of Q3 2020 and delays in cash-outs related to strategic investments already decided
2. Financial figures in fourth mid-range plan are based on IFRS, while those in third mid-range plan are under U.S. GAAP. Thus, operating CF includes the effects of differences in accounting standards for principal payments for operating lease liabilities and purchases and sales of content assets. Capital expenditures also include increases in right-of-use assets related to operating lease agreements.
3. Dividends in third mid-range plan were approximately 170 billion yen.

others in the industry in this kind of initiative.

During the current MRP, we chose three-year cumulative adjusted EBITDA[1] as the Group's key performance indicator (KPI), because it allows us to better understand business expansion over mid- to long-terms and the cycles of investment and return, and it is highly compatible with assessment of corporate value. Our current projection is 5 trillion yen, far above both what we achieved during the previous MRP and what we projected at the beginning of the current one, due mainly to the positive trends in our Music and Pictures segments. This fiscal year we began disclosing the Operating Income Before Depreciation and Amortization (adjusted OIBDA[2]) of each business segment along with our customary operating income figures.

1. Adjusted EBITDA = net income attributable to Sony Group Corporation's stockholders + net income attributable to noncontrolling interests + income taxes + interest expenses, net, recorded in financial income and financial expense - gain on revaluation of equity instruments, net, recorded in financial income and financial expense + depreciation and amortization expense* - profit and loss amount that Sony deems non-recurring
2. Adjusted OIBDA = operating income + depreciation and amortization expense* - profit and loss amount that Sony deems non-recurring

* In the above formulas, depreciation and amortization expense excludes amortization for deferred film costs, broadcasting rights, and internally-developed game content and master recordings included in content assets, as well as for deferred insurance acquisition costs.

Capital Allocation

During the fourth mid-range plan, we expect to allocate 4 trillion yen of capital, more than we did during the previous MRP and our projection at the beginning of the current plan, to further accelerate growth. We plan to compensate for the above-mentioned current increase in working capital and consequent decrease in operating cash flow mainly through short-term borrowing.

Of the total capital allocation, 1.9 trillion yen will be invested in capital expenditure, mainly for image sensors, a major increase from the initial plan, while strategic investment will be reduced by about 10% from the initial plan to 1.8 trillion yen, in consideration of the current M&A market environment.

Since the start of the current MRP, we have repurchased Sony shares in the total cumulative value of 196.5 billion yen as of July 31, 2023 as part of our program of strategic investment. We will continue repurchasing Sony shares in a flexible and agile manner with our financial situation and share price trend in mind.

Future Prospects

FY2023 is an important year, one in which we have begun writing our next mid-range plan. While we tightly manage our current geopolitical and macroeconomic risks, we are in the process of formulating strategies and initiatives to ensure the further growth of the Sony Group, looking beyond the next trough of the economic cycle.

Over mid- to long-terms, I believe the entertainment and image sensor markets, which are growth markets for Sony, will remain full of growth opportunities. I predict that rapid technological evolution, including for generative artificial intelligence, will bring major change to these businesses. Rather than avoiding changes, we aim to thrive with them and employ them as opportunities for further growth.

Growth Strategies of Each Business Segment

Each of Sony's business units makes its own evolution and growth strategy for mid- to long-terms with the direction of the entire Group in mind, going deeper in their respective pursuits, with constant utilization and exploration.

G&NS: With a growing base of active users as its strategic core, the G&NS segment is firstly putting effort into proliferation of the PS5™. In FY2022 over 19.10 million PS5™ units were sold, thanks to brisk demand and normalization of supply conditions. Going forward we plan to expand our game title pipelines and provide innovative and compelling game experiences that will grow the PS5™ installed base. To strengthen and expand our first-party game portfolio, we plan to continue bringing in knowledge from Bungie, and expect to enhance our ability to develop and operate live service games. We also intend to increase the number of active users on personal computers in addition to PS5™.

Music: In the Music segment we are focusing on initiatives that can facilitate greater-than-market growth. In the streaming market we are working to increase our market share by promoting new songs from our wholly-owned labels and signed artists, and expanding our portfolio of services for distributed labels, centered on The Orchard. We intend to ensure early contact with emerging artists through AWAL and other channels, while further exploring emerging markets, including unearthing local artists. We also intend to ensure profit from the use of music in emerging media markets,

including social media and concerts within games, so we can return it to the artists and help Sony grow.

Pictures: In Pictures, we aim to maximize our IP value over the long term by making the most of our unique position as a strategic supplier and our committed emphasis on theatrical releases. Unlike others that allocate investment resources mostly to their distribution platforms, Sony Pictures focuses them on the creative side for higher product quality. Sony has continued to value theatrical releases of motion pictures, challenging the growing industry trend of favoring online streaming, and achieved a new record for earnings. Over the last several years, we believe the cultural impact of theatrical releases is important to creators and helps maximize IP value in the long run.

ET&S: In ET&S, to reinforce our business structure we are shifting emphasis toward growth fields while ensuring that our established businesses remain profitable. In these growth fields we are focusing on making the most of our technology to expand our solutions and services business for a broad range of creators. We provide solutions such as efficient cloud-based content production services and low-latency, high-definition transmission solutions for professional photographers and broadcasters in addition to Creators' Cloud, which is expanded and optimized for individual creators. We also offer virtual production services combining film production equipment, such as the VENICE digital cinema camera and Crystal LED, with workflow solutions.

I&SS: The key principle in the growth strategy of the I&SS segment is to secure its number one position in image sensors. In its core business, image sensors for mobile, we continue to endeavor to promote growth by increasing sensor size and improving performance as we hone our industry-leading technological prowess and production capacity. We are working to increase our shares of potential growth markets related to automotive, industrial, and infrastructure applications. Among our automotive applications, we are working to contribute to mobile safety with technologies such as image sensors and SPAD depth sensors for light detection and ranging (LiDAR). Among many industrial and infrastructure applications, we expect to expand potential use cases in inspection and recognition, drawing on our unique and diverse array of image sensors, and contribute to automation, labor saving, and other means of achieving a "smarter" society.

Financial Services: In our Financial Services business, I think it is important to reinforce our branding, make the most of digital transformation (DX) and other Group infrastructure, and expand investment for growth. For medium- and long-term growth, we have to consider large investments, such as in M&A, in addition to investment in IT and systems. To meet monetary needs on that scale over the long term, we have to be better able to procure funds on our own. This is why we have begun considering a partial spin-off of the Financial Services business.[3] Projecting to make that happen within the next two or three years, we will consider the details in FY2023. Even after this partial spin-off, the Financial Services segment will remain an important Sony Group business. Under the Sony brand it will aim to continue offering long-term safety and peace of mind to customers while pursuing efforts to grow the business further.

3. The spin-off regime was introduced as a tax-qualified system in line with Japan's 2023 tax reform. Under this system, Sony Group Corporation, as the parent company, would continue holding partial equity in Sony Financial Group Inc., and distribute the remainder among shareholders as dividends in the form of non-cash assets.

Growth Strategies Intersecting Entertainment Businesses

Going forward, we intend to put further effort into initiatives to maximize IP value across our three entertainment segments. In recent years Sony has made major progress in creating inter-business IP synergy. Following up on the success of the feature film *Uncharted* and *The Last of Us* on Max, PlayStation Productions is paving the way for more PlayStation® IP to be adapted for film and TV. Adaptations of *God of War*, *Ghost of Tsushima* and *Horizon Zero Dawn* have already been announced. We are also planning a number of biopics based on Sony Music artists. In the area of anime, through accelerated collaboration between Aniplex and Crunchyroll, we aim to maximize the value of Japanese anime IP globally, while building our anime fan base.

I see tremendous potential in applying our IP to location-based entertainment (LBE). Columbia Pictures Aquaverse, a water theme park, recently opened in Thailand, as did an attraction in Spain offering the experience of the *Uncharted* world. In Japan, our interactive indoor attraction The Tokyo Matrix opened in April 2023, with Aniplex's *Sword Art Online* series. Through these initiatives we continue building and sharing our LBE business knowledge base to create multifaceted applications for IP owned by the Group and maximize its value.

Business Direction

Sony consistently conducts management with a long-term perspective. In 2012 then-CEO Kazuo Hirai announced Sony's mission with *Kando* as the keyword, laying the foundation for the Group's turnaround on the theme of Sony's transformation. Kenichiro Yoshida inherited the *Kando* concept when he took office as President in 2018 and incorporated it into the Sony Purpose. He then defined the Corporate Direction as "getting closer to people," and promoted more comprehensive portfolio management. With the Purpose and Corporate Direction passed down from Hirai and Yoshida, I am rising to the challenge of further growth for Sony.

I see the key to accelerated growth and higher resilience in the diversity of our businesses and employees.

As I mentioned, the synergies among the Group's various businesses provide Sony with unique competitive strength as important drivers for growth in its effort to create new value. In our rapidly and radically changing business environment, the diversity of our business portfolio contributes greatly to the stability of Group management.

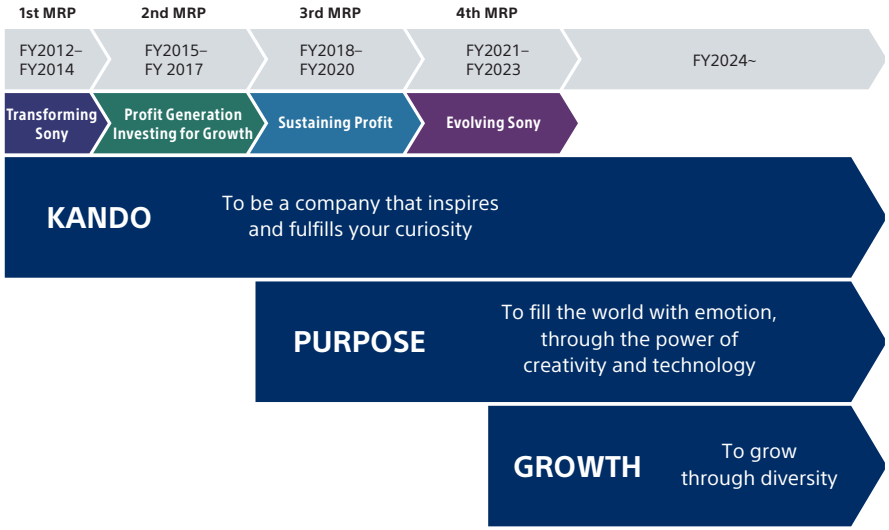
Looking at the diversity of our employees, we are making leadership appointments that encourage new perspectives and value creation, and compared to five years ago the ratio of women executives in Sony Group Corporation has doubled to 12%, while the ratio of foreign nationals in executive positions has nearly doubled, reaching 24%. At Sony University, where we develop talent for future leadership, we are increasing the diversity of participants, and the participation rate of both women employees and employees from our entertainment companies has risen to about 30%. In addition, we provide various external programs that help people from diverse backgrounds take on challenges in the film and music industries, and inspire women to pursue careers as engineers and game developers. Through these measures I want to bring individuals with diverse backgrounds, experiences, and special knowledge together with Sony's diverse businesses and create opportunities to unleash their ideas and creativity, and build our futures together as each individual continues growing with the organization.

Through constant evolution and growth on the strength of diverse businesses and employees, Sony expects to continue to be preferred by our customers, attract talented people, build corporate value, give back to society, and keep the positive spiral going.

Past Mid-Range Plans

First Mid-Range Plan (FY2012~ FY2014)	• "Transforming Sony" set as theme in response to discouraging FY2011 business results • Building new foundation by withdrawing from PC business, spinning TV business off as separate subsidiary, and reducing headquarters overhead costs; investing in image sensor and game businesses, and other priority areas • Fell short of quantitative targets by large margins, due mainly to lack of adaptability in face of changes in business environment
Second Mid-Range Plan (FY2015~ FY2017)	• Building structure to spin off businesses on theme of "Profit generation and investment in growth" • Focus on structural reform and growth in recurring business • Quantitative targets for ROE and operating income met; record-high profit made • Facing challenge of improving earnings structures of Pictures and Mobile Communications segments
Third Mid-Range Plan (FY2018~ FY2020)	• Corporate Direction set: "Getting closer to people" • Positive results from both effort to grow operating cash flow through stable high profit, and implementing strategic investment for future growth • Far surpassed target for cumulative three-year operating cash flow* • Reorganization of Group structure (Sony Group Corp. established; Financial Services business made wholly-owned subsidiary)

* Consolidated total excluding Financial Services



Special Feature: Growth Driven by Investment

Under the Corporate Direction of "getting closer to people," Sony actively makes growth-oriented strategic investments in content IP, DTC, and technology, and continues to create examples of business growth through acquisitions and investments. As for capital expenditures, Sony is also actively investing mainly in image sensors.

As strategic investment in the area of content IP, Sony purchases music catalogs, and, to enhance its ability to create content IP, it also acquires music labels, television program production studios, and game development companies. Sony has also acquired a music distribution company for DIY artists. In the area of DTC, from the standpoint of communities of interest, Sony invests in firms for the distribution of anime and Indian content as well as in network services to enhance direct connections with users. As for technology, Sony actively invests in and acquires firms exploring cutting-edge technologies, such as sensing, AI, data processing and analysis, and visual effects.

As for Sony's progress in strategic investment under the fourth mid-range plan (FY2021-FY2023), about 1.24 trillion yen of a total of 1.8 trillion yen budgeted has been either earmarked or expended as of April 28, 2023*.

Recent Major Growth-Oriented Investments

	Content IP	DTC	Technology
Sony Group	• Investment in bilibili	–	• Investment in Epic Games
G&NS	• Acquisition of game development studios, including Bungie, Haven Entertainment Studios, and Firewalk Studios	• Enhancement of PlayStation™Network (PSN) • PlayStation®Plus (PS Plus) new tiered offering and service enhancements	• Development of PlayStation®VR2 (PS VR2)
Music	• Acquisition of AWAL/KNR • Acquisition of music catalogs • Acquisition of record companies, including Som Livre and Alamo Records • Acquisition of Lasengle	• Acquisition of Ceremony of Roses • Investment in NetEase Cloud Music	• Ensuring real time data reporting and transparent payment solutions for artists and songwriters • Exploration of NFT market
Pictures	• Acquisition of Industrial Media • Acquisition of Bad Wolf	• Acquisition of Crunchyroll • Entering into definitive agreement for merger of Zee and SPNI	• Acquisition of Pixomondo
ET&S	–	–	• Technological development to enhance high-value-added capture devices and deploy creative solutions • Acquisition of Beyond Sports
I&SS	–	–	• Development of high-resolution image sensors for mobile products • Development of automotive sensors • Investment in JASM, a semiconductor foundry under TSMC
Financial Services	–	• Development of GLiP, life plan analysis system (Sony Life)	• Development of GOOD DRIVE smartphone app, utilizing AI to identify driving behavior (Sony Assurance)

* Cumulative total from April 1, 2021 to April 28, 2023, excluding approximately 110 billion yen invested in music catalog included in operating cash flow. Excluding the amount to be invested in SPNI in preparation for merger with Zee

Examples of Growth through Investment

Accelerated Expansion of Live Service Games

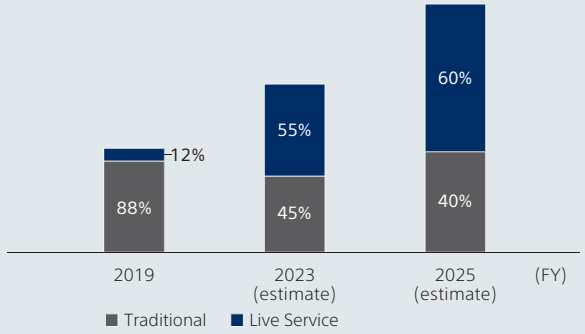
Live service games have been driving the gaming market in recent years due to their ability to attract gamers with their continuously-added content and evolving stories. Thus, to grow further Sony Interactive Entertainment (SIE) is building up its live service games. In July 2022 it acquired U.S.-based independent game studio Bungie, one of the world's leading developers and publishers of live service games, for 3.6 billion USD. Bungie has created two of gaming's most iconic franchises, *Halo* and *Destiny*, and has expertise in gaming community engagement and multi-format publishing, as well as an impressive road map for future content. The merger allows SIE to expand its PlayStation® game portfolio while giving Bungie new opportunities for cross-platform multimedia applications of its IP.

Since the merger, Bungie has already begun sharing its expertise, hosting a Live Service Summit for the PlayStation Studios development team. With the March 2023 release of *Destiny 2: Lightfall*, Bungie and SIE jointly marketed the latest expansion globally, making it one of the most successful launches of a *Destiny 2* expansion ever. Bungie is also currently developing its next game, *Marathon*.

SIE has always valued the autonomy of companies it acquires, and Bungie is no exception. Post-merger, Bungie maintains its independence and continues its original multi-platform operations. SIE believes that Bungie creators should make the most of their creativity to develop content appreciated by as many users as possible.

SIE's road map for reinforcing its live service game operations anticipates that the segment will account for 60% of total investment by PlayStation Studios by FY2025.

PlayStation Studios Investment by Business Model*



* Internal SIE projection

Message from the Head of PlayStation Studios

Hermen Hulst
SVP, Head of PlayStation Studios

Bungie is a historic studio that has made significant contributions to the game industry. The quality of their gameplay is legendary, with intuitive mechanics that make their games easy to pick up and hard to put down. The worlds they create are beautiful, possessing a tactile, lived-in quality that makes them stand out. SIE has always been a great place for game creators; studio teams are encouraged to collaborate while retaining their independence to craft stories and worlds for our community to explore. At PlayStation Studios our mission is to make the best games we can, advancing the very nature of entertainment through our games and the positive impact they can have on people's lives. The addition of Bungie to the PlayStation® family will enhance the capabilities of SIE, of PlayStation Studios, and of Bungie itself, while furthering our vision of expanding PlayStation® to hundreds of millions of gamers.

Examples of Growth through Investment

Evolution of the Entertainment Business in India

India is a nation of over 1.4 billion people, with a media and entertainment industry expected to reach a market value of over 60 billion USD by 2030, growing at a compound annual growth rate of around 10%[1].

Having actively done business in this market of enormous potential since the 1980s, Sony has established a position as a leading provider of electronics and creative entertainment there. In 1994 Sony established Sony India, an electronics business; in 1995, Sony Entertainment Television for broadcasting; and in 1996, Sony Music Entertainment India, which today enjoys over 20% of the Indian music market. Sony Entertainment Television eventually became SPNI, now offering 26 channels to 700 million viewers worldwide. Sony LIV, a DTC service started in 2013, has developed into one of India's leading video-streaming services, with over 40,000 hours of content in eight languages and 33.3 million subscribers[2]. Actively collaborating with Sony Research India, SPNI also develops video analytics and recommendation engines.

Endeavoring to grow further, the firm is accelerating investment and intra-Group collaborations, particularly in entertainment. In 2021 Sony announced a deal to merge Indian media and entertainment leader Zee into SPNI. Among other things, the merger aims to enhance SPNI's ability to produce locally-rooted content IP. In 2022, Sony Music Entertainment (SME) and Sony Pictures Entertainment (SPE) established Sony Entertainment Talent Ventures India to offer Indian artists and creators opportunities to collaborate and form global partnerships. Meanwhile, in May 2023, SIE began its India Hero Project, an incubator program for game developers to identify and support game development talent in the region. Going forward, Sony intends to continue investing its management resources in India to expand the creation of locally-rooted content.

1. Shaping the Future of Indian M&E, BCG - CII, November 2022
2. Including partner platforms, as of March 31, 2023

SPNI Business

SONY PICTURES NETWORKS

Video-streaming service

SONY liv

Channels

SONY ENTERTAINMENT TELEVISION | SONY SAB | SONY पल | SONY YAY! | SONY PIX | SONY MAX | SONY MAX2 | SONY WAH
SONY আট | SONY मराठी | SONY BBC earth | SONY SPORTS 1 | SONY SPORTS 2 | SONY SPORTS 3 | SONY SPORTS 4 | SONY SPORTS 5

Message from the CEO of SPNI

N.P. Singh
SPNI CEO

India is a global economic powerhouse and an "opportunity destination" for artists, content creators, game developers, studios, platforms, and technology companies. Thus, it is a vast *Kando* space where demand for entertainment has been surging, presenting immense market possibilities driven by GDP growth, a burgeoning youth population, and widespread internet access. SPNI is committed to growing its audience and maintaining its position as an industry leader. We are committed to actively collaborating with Sony Research India to enhance our content creation capabilities. Furthermore, through the efforts of Sony Entertainment Talent Ventures India, we intend to identify exceptionally gifted artists and creators who have the potential for global success. With the proposed merger of Zee into SPNI, we are poised to take a significant step forward by offering a robust content line-up across every region in India.

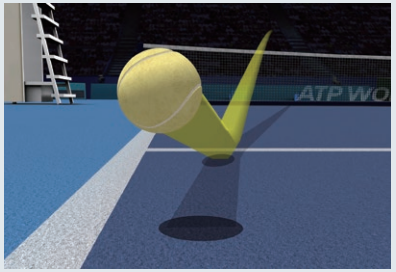
Examples of Growth through Investment

Enhancement of the Sports Entertainment Business

Sony Corporation is enhancing its sports entertainment business as a growth segment. As part of this effort, in November 2022 Sony Corporation acquired Beyond Sports, headquartered in the Netherlands, into its sports entertainment business, which now consists of three companies including Hawk-Eye and Pulselive.

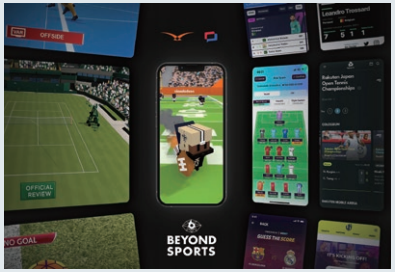
Hawk-Eye offers officiating, broadcast enhancement and data platform services for some 25 sports and in more than 90 countries and regions, making use of its technologies such as Synchronized Multi-Angle Replay Technology (SMART), optical tracking technology for player, ball and object tracking, and data visualization technologies. Beyond Sports has advanced real-time data-validation and enhancement technologies, as well as virtual recreation technologies for instant visualization of acquired sports data. Pulselive builds technology that fuels various official websites, over-the-top (OTT) platforms, and mobile apps for renowned sports teams and organizations.

With this reinforced business structure, Sony is working to create new types of sports entertainment that bridge the real and virtual worlds. One of the latest developments is new officiating technologies, such as Semi-Automated Offside Technology (SAOT) in football, which makes use of SkeleTRACK, Hawk-Eye's proprietary skeletal tracking technology that can track players' skeletal movement as well as objects. There are also ongoing endeavors to develop a new type of sports entertainment content for broadcast and digital platforms using the visualization technologies of Beyond Sports. Hawk-Eye's technologies have been used in a joint proof-of-concept for a new generation of online fan communities between Sony Group Corporation and Manchester City Football Club since 2021. In addition, there is an ongoing project for a new online gaming experience coordinated with live baseball games in Japanese professional baseball.



Officiating

Tracking



Fan engagement

Message from the Head of the Sports Entertainment Business Unit

Hiroshi Kawano
Executive Vice President,
Sony Corporation

Sony's services have come to be more widely recognized and their value more appreciated as they have been adopted by many top-tier sports leagues worldwide and provided to global sporting events that draw major public and media interest. To further grow our sports business, which has brought about a number of innovations in officiating, Sony established the Sports Entertainment Business Unit in the U.K. in 2023, and is reinforcing both its organizational structure and talent acquisition. Live sports bring out great passion and devotion. We want to support them with innovations unique to Sony, with our dual assets of technologies and entertainment expertise that are ingrained in our corporate DNA. With improved tracking technology and technologies to convert sports data into computer graphics almost instantly, we can see a growth scenario in which Sony expands its business domain from officiating to sports-related data content businesses. We hope to contribute to sports communities in ways that only Sony can, driven by our passion to deliver *Kando* to sports fans worldwide.

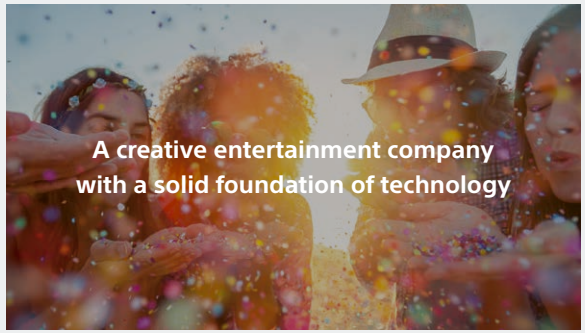
Value Creation Model

Sony's Purpose

Purpose explains the reason for our existence, for Sony Group employees to work together along the same vector and create value from a long-term perspective; in other words, why we exist

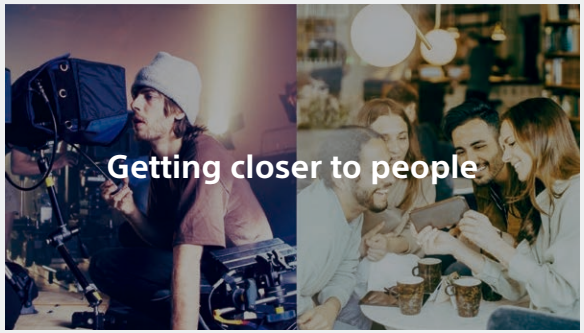
Identity

Identity expresses how we want to be perceived from the outside; in other words, who we are



Corporate Direction

Corporate Direction sets out where we are headed

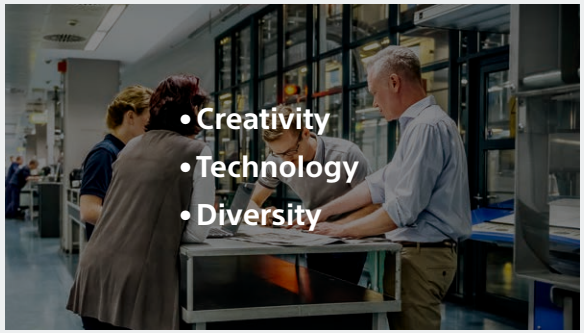


Sony's Purpose, to "fill the world with emotion, through the power of creativity and technology," defines why Sony exists, and guides the approximately 110,000 Sony Group employees along the same vector to create value from a long-term perspective. Based on this Purpose, Sony presents its Identity to the world as a "creative entertainment company with a solid foundation of technology." Its Identity and Purpose are two sides of the same coin. Finally, Sony's Corporate Direction is "getting closer to people."

Based on these foundations, Sony pursues management centered on people and *Kando* over the long term through six business segments: G&NS, Music, Pictures, ET&S, I&SS, and Financial Services. Sony designates *creativity*, *technology*, and *diversity* of employees and businesses as drivers for value creation, which are essential to evolve and grow diverse businesses, promote collaboration, and create

Key Drivers

Key Drivers are the essential elements to realize value creation



Value Creation

Value Created for people, society, and the planet through diverse businesses

1. Enriching people's hearts through the delivery of emotional experiences
2. Helping creators realize their dreams
3. Contributing to society through the delivery of safety, health, and reliability

new value.

Through its businesses, Sony creates and delivers value to people, society and the planet to enrich people's hearts through *Kando* experiences, help creators realize their dreams, and contribute to society through the delivery of security, health, and peace of mind.

Connecting people through shared *Kando* requires a healthy planet and a society that allows everyone to live with peace of mind. This is why Sony prioritizes its responsibility to society and the environment and works to make contributions through its technologies and businesses. Among the various sustainability challenges we face, Sony focuses on climate change; diversity, equity, and inclusion; respect for human rights; and technology for sustainability; considering these among the most important and influential factors in the creation of value*.

* For the most significant material topics related to sustainability, please refer to page 30.

Purpose

Fill the world with emotion,
through the power of creativity and technology.

Value Creation

1. Enriching people's hearts through the delivery of emotional experiences
2. Helping creators realize their dreams
3. Contributing to society through the delivery of safety, health, and reliability

Sony manages diverse businesses with the aim of sustainably creating value with people at the core, thereby serving its Purpose to "fill the world with emotion, through the power of creativity and technology," under the Corporate Direction of "getting closer to people."
In pursuing this Purpose, Sony's value creation through its businesses can be roughly divided into categories based on three perspectives: users, creators, and the society in which people live.

1 Enriching people's hearts through the delivery of emotional experiences

In addition to generating content that moves people's hearts, Sony's content businesses, including Games, Music, and Pictures, and its DTC businesses, build communities where users can gather together and share creative experiences. The ET&S business leverages its strength in creation technologies to create brand-new entertainment together with creators. The I&SS business provides key devices for smartphones used by people around the world to share emotion.

FROM THE EMMY AWARD–WINNING CREATOR OF CHERNOBYL AND THE CREATOR OF THE ACCLAIMED VIDEO GAME
HBO ORIGINAL
THE LAST OF US
WHEN YOU'RE LOST IN THE DARKNESS, LOOK FOR THE LIGHT
NEW SERIES NOW STREAMING
HBOmax
GOD OF WAR
RAGNARÖK

Examples from FY2022

- G&NS: Provision of new gaming experiences through PS5™, including the highly anticipated first-party title, *God of War: Ragnarök* and the newly launched PS VR2
- Music: Continuous production of music creating emotion (in 2022, on average, SME had 43% share of Spotify's weekly Global Top 100 songs)
- Pictures: *The Last of Us* premiered on Max to phenomenal viewership numbers, averaging approximately 30 million viewers an episode in the U.S. alone, an overwhelming success that demonstrates the potential of cross-company collaboration
- ET&S: Strengthening the sports business with a structure centered on three companies: Hawk-Eye, Pulselive and the recently acquired Beyond Sports
- I&SS: Commercialization of image sensors featuring 2-layer transistor pixel technology for wider dynamic range and low noise

2 Helping creators realize their dreams

Sony crafts environments where creators can fully express their creativity and fulfill their potential by providing platforms, technologies, and expertise, in addition to discovering, nurturing and producing creators, and supporting Sony artists from all directions. Sony delivers the resulting content to move people's hearts around the world across a variety of domains, including Games, Music, and Pictures. Sony plans to continue to contribute to maximizing the value of creators' time through its products, technologies and services that enable creators to express their vision, as well as by providing remote solutions for content production and live events.

Examples from FY2022

- G&NS Focus on delivering creators' work to a wider range of audiences through multiplatform development, including PC hits such as Marvel's *Spider-Man: Miles Morales*, and acquisition of Savage Game Studios
- Music Expansion and enhancement of support for artists through activities such as the Artists Forward initiative, including free counseling and support for compensation and healthcare
- Pictures Establishment of a virtual production stage, now the world's largest using Sony's Crystal LED, at Sony Innovation Studios on the Sony Pictures Studios lot
- ET&S Launch of mocopi, a compact, lightweight mobile motion capture system that enables full-body motion tracking
- I&SS Commercialization of SPAD depth sensor for smartphones with high-accuracy, low-power distance measurement performance, powered by the industry's highest[1] photon detection efficiency

1. As of announcement on March 6, 2023

3 Contributing to society through the delivery of safety, health, and reliability

Sony helps to create a society in which people can enjoy daily lives filled with emotion through its businesses that support people with safety, health, and reliability. Sony aims to contribute to automobile safety and a better future for mobility, along with improved industrial automation and security, with its CMOS image sensor technologies, while Sony's life science & technology business aims to contribute to public health through applications in the fields of imaging, display, and cloud technologies that it has cultivated over many years. In the Financial Services business, Sony focuses on providing customers with a sense of safety and assurance through pertinent advice, products, and services that leverage a variety of information sources, while improving access to its services and promoting innovation for greater convenience in daily life.

Examples from FY2022

- ET&S Launch of a cloud solution for ID7000 flagship Spectral Cell Analyzer enabling flow cytometry data analysis that can rapidly identify rare cells
- I&SS Provision of vehicle parking assist software in addition to sensor hardware in the automotive field
- Financial Services Launch of variable individual annuity SOVANI[2] as a new asset-formation product (Sony Life)
  Realization of rapid damage assessment using drones and insurance payments in fire insurance (Sony Assurance)
  First[3] domestic Japanese bank to issue a green bond for mortgage loans on eco-friendly homes (Sony Bank)

2. A pet-name for variable individual annuity (non-disclosure type) 22 (no dividend) and single-premium variable individual annuity (non-disclosure type) 22 (no dividend)
3. Based on research by Nomura Securities as of April 27, 2022

Key Drivers for Creating Value

Alongside its Purpose, to "fill the world with emotion, through the power of creativity and technology," Sony has designated four Values, namely "Dreams & Curiosity," "Diversity," "Integrity & Sincerity," and "Sustainability."

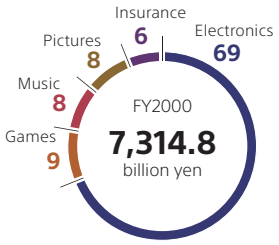
To generate *Kando*, it is essential to combine the creativity of many people, including creators and Sony employees, with continuously evolving technologies. It is vital, moreover, that diverse people who share Sony's Purpose & Values work together in various businesses and cooperate organically among themselves to create new value that transcends organizational borders. Based on these principles, Sony designates *creativity*, *technology*, and *diversity* as key drivers for value creation. It is evident from its history that Sony has always evolved on the strength of diversity.

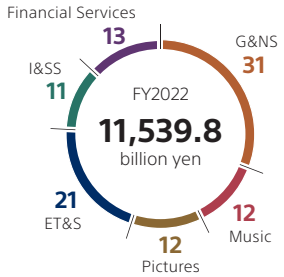
As their respective histories show, each of Sony's businesses began to create new value following an acquisition or joint venture, integrating diverse corporations and human resources. In the Music segment, the establishment of CBS/Sony Records in 1968 opened a way for Sony to simultaneously develop software and hardware. Sony's Pictures business began with the acquisition of Columbia Pictures Entertainment Inc., and one of the world's leading game ecosystems, PlayStation®, was built on joint investment by Sony's music and electronics segments. The Financial Services business, meanwhile, was the origin of Sony's DTC business, and through a joint venture with The Prudential Insurance Company of America, built a unique business model around Lifeplanner sales specialists as the core value. The ET&S segment, on which Sony was founded, enhanced its camera operation with a partial transfer of assets from Konica Minolta. Similarly, the acquisition of Hawk-Eye became the foundation for the growth of Sony's sports entertainment business. Sony continues to grow its businesses through acquisitions and investments to partner with production studios, recording labels, and technology developers. It continues to explore new businesses and develop technologies Group-wide with the future in mind. In this way Sony creates many opportunities for diverse people and business units to collaborate and enhance value creation through creativity and technology.

To fulfill its Purpose, today Sony is putting effort into further integrating value-creation drivers and focusing on allocating management resources appropriately. Collaboration across the Group is becoming standard practice, and efforts to build IP value through cross-Group utilization and promotion, as well as cross-business projects for the shared application of technology, regardless of segment borders, are increasing. In its People Philosophy, "Special You, Diverse Sony," Sony clearly states that diversity is its foundation for human resources, and, in this spirit, is working to train global leaders for Group-wide management. In R&D, Sony is reinforcing programs and facilities to promote dialogue and cooperation among people and businesses, with technology as the starting point. In FY2023 Sony instituted an organizational change to enhance collaboration between Group headquarters and business units.

Consolidated Sales and Operating Revenue / Sales Composition by Segment (%)

Note: Sales compositions exclude sales within All Other/Corporate and elimination





The Beginnings of Sony's Business

1946	ET&S	Company established with electronics as founding business
1954	I&SS	Prototype of Japan's first transistor developed
1968	Music	Domestic music business launched (CBS/Sony Records established)
1979	Financial Services	Financial Services business launched (Sony Prudential Life Insurance established)
1988	Music	Music business taken global (CBS Records acquired)
1989	Pictures	Motion picture business launched (Columbia Pictures acquired)
1993	G&NS	Game business launched (Sony Computer Entertainment established)
2015	I&SS	I&SS business split out (Sony Semiconductor Solutions established)
2021	ET&S	ET&S business split out (succeeding to the "Sony Corporation" company name)

Message from the CSO

Toshimoto Mitomo
Corporate Executive Officer,
Executive Deputy President
and CSO
Officer in charge of Intellectual
Property, Business Strategy,
Business Development, and
Business Incubation Platform

The most important aspect of our key drivers for creating value — creativity, technology, and diversity — is that these drivers create further value in combination with one another, rather than individually. This principle applies to business development for Sony Group Corporation, which is one of my areas of responsibility. Here, we work to combine Sony's strengths in technologies such as sensing and capturing with needs and knowledge in the entertainment business, remaining conscious of diversity in people, businesses, and content as we move forward.

We can divide this kind of business development activity into four categories related to content: (1) creation, (2) delivery, (3) experience, and (4) communication based on the previous three categories. Examples of these are, respectively: (1) evolution of content creation using tools such as virtual production and mocopi, Sony's mobile motion capture system, (2) technological development of delivery methods such as the "automatic live shooting and streaming system" and data transmission, (3) evolution of hardware for experiencing content, such as the Spatial Reality Display or AR- and VR-capable devices, and (4) building fan engagement in the virtual space. Across all these activities, our top priority remains user benefit. If necessary, we utilize technologies from other companies, actively employing various methods such as open source, open innovation, start-up support, investments and acquisitions.

In business development of content, we work on two fronts — deepening and expanding our existing entertainment on the one hand, and defining new content on the other. Defining new content involves exploring the entertainment potential of areas such as food, agriculture and space, and this requires recruiting more diverse talent than ever before. We aim to create new value by making the best use of creativity, technology, and diversity.

Case Study Business Development along the *Kando* Value Chain

Business development at Sony follows the *Kando* value chain of content (1) creation, (2) delivery, (3) experience, and (4) communication based on the previous three categories, but we also place a strong emphasis on connecting and linking these aspects with a view to expanding use cases and scaling up our businesses.

For example, we have been engaged in virtual production since 2017, where our production support ((1) creation) services have already been involved in over 50 projects, including motion pictures, music videos and TV advertisements. We are also collaborating with Epic Games in exploration activities such as utilizing our common technologies in the pre-visualization process that takes place before content shooting commences. Another focus for us is evolving technologies for transmission and distribution ((2) delivery) of large volumes of data between separate production sites using 5G and cloud services. The content created by these new creation methods is highly compatible with virtual environments, so we are looking to connect it with viewing experiences that link the real and the virtual worlds ((3) experience) as well as with fan community creation in spaces such as the metaverse ((4) communication).

Similarly, with sports entertainment we are moving forward with initiatives ranging from the creation of fully immersive content through 3D computer graphic rendering of athletes' play data in real time, to the proof-of-concept project with Manchester City Football Club, and fan engagement activities for Japanese rugby.

Image from CES® 2023

R&D

Message from the CTO

Hiroaki Kitano
Corporate Executive Officer, Senior Executive Vice President and CTO
Officer in charge of R&D and AI Collaboration
President and CEO, Sony Computer Science Laboratories, Inc.
Representative Director and CEO, Sony Research Inc.

Based on Sony's Purpose to "fill the world with emotion," we aim to continuously create technologies that unleash people's creativity, and work in tandem with creators to build an exciting future for everyone.

For that reason, we defined the direction of Sony Group's R&D as "We are here for creators," and our R&D mission as "Push our civilization forward and make this planet sustainable," to signify our commitment to build an inspiring future together with creators. In addition to games, music, movies, sports and other forms of entertainment that enrich people's lives, Sony also pursues challenges in businesses that shape the social infrastructure – including semiconductors, financial services, medical services and mobility, as well as space, education and agriculture. These businesses enrich civilization and contribute significantly to improving the sustainability of society and the planet. Our R&D mission, however, cannot be achieved by Sony alone – it requires joint efforts with creators worldwide. To us, the term "creator" does not refer only to artists and other professionals that produce entertainment, but also includes researchers, engineers, entrepreneurs and all those working hard to create a better future.

A wide range of technological expertise is required to "fill the world with emotion," and the three domains of sensing, AI, and the digital virtual world, as well as integration among them, will be the core drivers toward this. The integration of sensors and AI in the real world is expected to lead to more advanced image and voice recognition. Sensor data and AI enhanced by learning from such data can then be used to generate high-precision simulations and fascinating content in the virtual world. In addition, the insights gained in the virtual world can be fed back to the AI to bolster its ability. Through such integration, we will evolve Sony into an AI/data-driven company.

R&D Mission

R&D means creating the future. Intellectual discoveries and new technologies have transformed our culture and civilization time and time again through a complex interplay with society. Technological development, however, sometimes has downsides. The invention of the steam engine brought about the Industrial Revolution, but also came with a huge environmental impact. Similarly, the birth of digital and communication technologies has contributed to social divisions. Cutting-edge technologies like biotechnology and AI have great potential, but at the same time raise important questions about how we should use them.

Humanity today needs to ask itself what sort of future it is trying to create. One answer to that question is embodied in the Sony Group R&D mission statement, to "Push our civilization forward and make this planet sustainable."

The role of Sony's R&D is to make Sony "future-ready" by continuously creating technologies that support existing businesses and enable new business development in the pursuit of Sony Group's Purpose over the long term. It is important to build a technological base for the company so that it is ready to apply itself in the society of tomorrow while continuing to develop and advance technologies that will contribute to the achievement of our strategic objectives.

R&D Points to Achieve Strategic Objectives

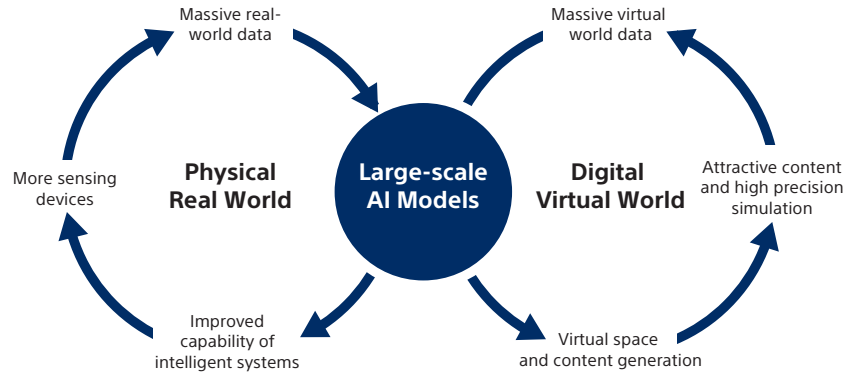
To be the brand chosen by creators around the world	To connect directly with one billion people
Three Axes of Maximization	**R&D Prioritizing 3 Dimensions of Diversity**
• Maximize creativity: Tools to unleash creativity • Maximize IP value: Technology to transform IP • Maximize fan engagement	• Demographic diversity • Content diversity • Cultural diversity

Focuses and R&D Organizational Structure

The key to pursuing our Purpose is what is called a "double-flywheel" (below), which integrates the domains of sensing, AI, and the digital virtual world. The two loops in the real and virtual worlds are connected by AI. By creating and integrating these loops, Sony's R&D aims to maximize the value of Sony's businesses in both the real and virtual spaces.

Going forward, to further advance AI, which serves as a core of the double flywheel, Sony R&D will endeavor to build technologies around a large-scale AI model known as a "foundation model." How to put these foundation models to practical use is a question still being answered in society through trial and error. Sony believes that the power of AI achieved through foundation models and their future iterations will contribute significantly to expanding people's creativity and creating a more sustainable society.

To pursue these strategies on technology, an organizational reform and enhancement was implemented effective April 2023. To improve consistency between medium- to long-term business strategies and R&D, and to facilitate rapid commercialization, the teams that conduct R&D in domains that individual operating companies are looking to strategically strengthen were integrated and relocated from the R&D Center at Sony Group Corporation to the R&D sections of our operating companies. To strengthen fundamental technologies for the Sony Group as a whole and deploy them in the business units, the R&D Center was reorganized, and the new Technology Infrastructure Center was established. Sony Research takes on extremely challenging projects such as the development of foundation models. This is based on Sony AI, an organization established in 2020 gathering a diverse range of top talent from around the world. Sony R&D also created the Exploratory Deployment Group dedicated to technology promotion and deployment, which takes R&D findings and ideas with limited applicability to existing businesses and works to see them implemented in society and business. Furthermore, the Global Technology Communications Office was established, with the aim of enhancing the company's presence as a global technology company by promoting key messages from the CTO as well as from Sony's R&D organizations. In addition to the establishment of these new organizations, Sony Computer Science Laboratories will continue to conduct research for the future of humanity and our planet, while the Corporate Technology Strategy Division will continue to provide insight and support for Group-wide collaboration as the technology hub of the Sony Group. These internal organizations, along with academia and other companies, constitute a single ecosystem. By connecting them dynamically with diversity as a high priority, Sony's R&D aims to accelerate value creation through technology.



Case Study

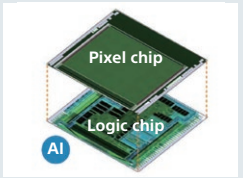
Integration and Application of Sensing, AI, and the Digital Virtual World

A case in point to illustrate the double flywheel is the development of a solution to raising operational efficiency, for which Sony is undertaking verification testing jointly with NEC Corporation (NEC). This involves applying the AITRIOS™ edge AI sensing platform and an NEC application to make empty warehouse shelves remotely visible, in order to maintain detection accuracy for each warehouse environment, forming a loop in the real world.

Volumetric capturing technology, which is essential in games, film production, and the metaverse, is an example of seamlessly connecting real and virtual spaces. Data on human motion collected by high-volume sensors is used to build a precise 3D model with computer graphics able to operate in virtual space.

Gran Turismo Sophy™ is an example of an AI created through reinforcement learning in virtual space. After several months of training on thousands of PlayStation®4 (PS4™) machines, an AI agent was developed that could outrace human champions in *Gran Turismo*.

Virtual production is another instance of linking real and virtual spaces, making it technologically possible for AI characters to interact with real-world actors against extremely precise backgrounds.



Employees

Message from the Officer in charge of Human Resources

Kazushi Ambe
Senior Executive Vice President
Corporate Executive Officer
Officer in charge of Human Resources, General Affairs, lead of Group Diversity, Equity & Inclusion, and the Corporate Executive Office
Sony Group China Representative

Sony has a diverse workforce of approximately 110,000 employees worldwide, supporting a wide variety of businesses. Globally active and engaged across a broad business range, they vary substantially by nationality, race, and area of expertise. This employee diversity is an important source of Sony's competitive advantage. We create new value by enabling diverse individuals to connect and collaborate with one another, engaging beyond the boundaries of business or region, while striving to integrate creativity and technology.

Based on the belief that sustainable growth of a company relies on maximizing the sum of the growth of its diverse individuals, in pursuing its People Philosophy, Sony undertakes initiatives to foster next-generation leaders on the strength of Group diversity, leverage talent across business boundaries, and increase employee engagement as a Group-wide effort. We are also implementing HR initiatives that support each employee's endeavors and enables all employees to empower one another and feel fulfilled in their work. Centered on Sony's Purpose, to "fill the world with emotion," together with our globally diverse HR leadership team we will continue to take on further challenges to realize a cycle of growth for our employees and the Sony Group as a whole, from a long-term perspective.

Sony's People Philosophy

Shape your own career with the spirit of freedom and open-mindedness. Feel the emotion of opening up your future.

Sony has a culture that values diversity. It is a place where people inspire each other to create new value.

Sony's People Philosophy: Special You, Diverse Sony

Since its founding, Sony has respected the independence and aspirational spirit of individuals, cherishing a corporate culture based on the partnership of choice between Sony and each individual employee, where each party is accountable for being responsive to the needs of others. Sony's People Philosophy, "Special You, Diverse Sony," expresses Sony's approach to employees, deeply rooted in its culture and passed down to today. It conveys the wish that each unique individual who shares Sony's Purpose & Values, and Sony, which embraces diverse individuals, will continue to grow together.

Note: Percentage of reception of and empathy for Purpose & Values remains high at 95% and 89%, respectively, maintaining levels from FY2021.

People Strategy: Attract, Develop, and Engage Talented Individuals

The Group-wide people strategy is based on Sony's People Philosophy and the themes of "Attract talented individuals," "Develop talented individuals," and "Engage talented individuals."

Attract Talented Individuals: Sony conducts strategic recruitment campaigns across the Group to acquire diverse talent with advanced skills, valuable expertise, and growth ambition who identify with its Purpose & Values. To facilitate innovation through the intersection of diverse ideas within the Group, Sony also actively appoints people with extensive experience outside Sony to key positions.

Develop Talented Individuals: Sony fosters the growth of its independent-minded employees by the strength of its diversity. With ever more opportunities for diverse employees to interact and collaborate, Sony University, established in 2000 to cultivate top management candidates, works to improve the value it offers through partnerships with leading outside managerial training organizations. Sony also creates opportunities for employees to inspire one another beyond their respective fields. The Sony Cross-Mentoring Program strategically links management teams in the various businesses with next-generation leadership candidates across organizations, while Technology Strategy Committees encourage the sharing of cutting-edge technical information beyond business boundaries to enhance the Group's technological strength.

Engage Talented Individuals: Sony is committed to creating inclusive work environments that facilitate the growth of every employee, regardless of lifestyle or work style. Various programs, such as the internal job-posting program, Career Plus program, and Free Agent program, are cases in point. Sony believes the effects of its HR initiatives are eventually reflected in employee engagement. Employee engagement survey results*, which have remained high in recent years, factor into senior executive evaluation, while also quantitatively capturing the correlation between opportunities for growth and learning available to employees and employee engagement.

* Percentage of employees who did not answer unfavorably to the questions. In FY2021 and FY2022, the rate remained consistent at 89%.

Executive Commitment in the Group-wide Programs

Hours Sony Group executives spent as a commitment to fostering next generation leaders through Sony University, Sony Cross-Mentoring Program and round-table dialogues with the CEO and CFO (FY2022)

513+ hours

Domestic HR Initiatives Optimizing Employees' Aspirational Spirit and Sony's Diverse Businesses

The Career Plus program allows employees to spend up to two days a week on a job or project aside from their regular post. The number of employees in the program, which encourages an internal 'side job,' has been increasing recently as more employees work to build careers in their own ways.

Trends in Employees in the Career Plus Program

100% FY2020 ▶ **135%** FY2021 ▶ **173%** FY2022

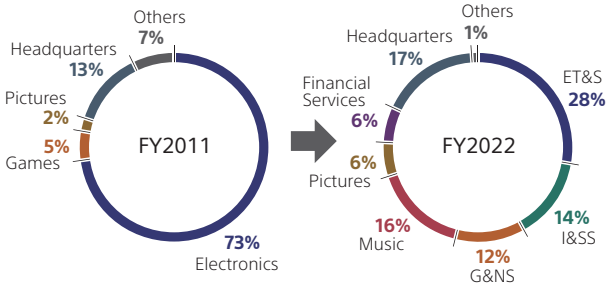
*Figures for FY2021 and FY2022 are comparisons with FY2020.

Example **Widely Diverse HR Leadership Team**

Each business unit has an HR representative who builds trusting relationship with the business leadership team to provide substantial support for management. Sony is further strengthening collaboration among the HR team, having the Sony Group Corporation officer in charge of human resources and all business unit HR leadership teams meet quarterly to discuss the people strategy for the Group as a whole, and to exchange opinions on strategies specific to each unit.

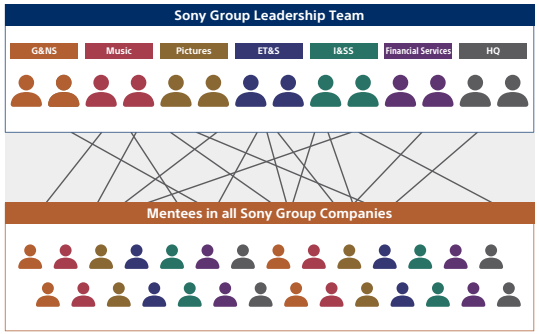
Group-wide Initiatives to Promote Growth Multiplication through Increasing Diversity

Participant attributes of Sony University



Increasing participation from diverse businesses other than electronics segment

In the Sony Cross-Mentoring Program, senior executives pass down experience and knowledge to next-generation leaders beyond business and regional boundaries



Every year 1,500 engineers participate in Technology Strategy Committees

G&NS	Music	Pictures	ET&S	I&SS	Financial Services
Mechanical Strategy Committee					
Optics Strategy Committee					
Software Strategy Committee					
LSI Strategy Committee					
Information Processing Strategy Committee					
Device & Material Strategy Committee					
Electric Strategy Committee					
Production Engineering Strategy Committee					
Design Process Strategy Committee					
Content Technology Strategy Committee					

Sony's Approach to Sustainability

Sony manages diverse businesses with people at the core, and aims for sustainable value creation based on such diversity and mid-to long-term growth in the Sony Group's corporate value under its Purpose to "fill the world with emotion, through the power of creativity and technology," and its Corporate Direction of "getting closer to people."

In order to have people connected to each other through emotion, it is necessary to create a society in which everyone can live with peace of mind in a healthy global environment. Sony acts with due consideration of the impact of its business activities on stakeholders, including shareholders, customers, employees, suppliers, business partners, local communities and other organizations as well as the global environment, and focuses on building trust with stakeholders through dialogue. Through innovation and sound business practice, Sony endeavors to enhance its corporate value and contribute to the development of a sustainable society.

Organizational Structure for Sustainability Initiatives

Based on the basic policy outlined above, Sony designates sustainability as a management priority and has established the Sustainability Department, under the supervision of the Senior Executive in charge of Sustainability, to promote a range of initiatives for the entire Group, in coordination with business units and all related divisions within the head office.

The Senior Executive in charge of Sustainability regularly reviews and assesses risks and engages in detection, communication, evaluation, and response pertaining to the risk of loss related to sustainability. The Sustainability Department reports to the Board of Directors at least once every quarter on sustainability-related initiatives and their progress. In addition, as part of the process of reporting on each business unit's mid-range plan, the Board of Directors receives reports from the relevant unit on the sustainability challenges and opportunities relevant to its respective business operations and efforts.

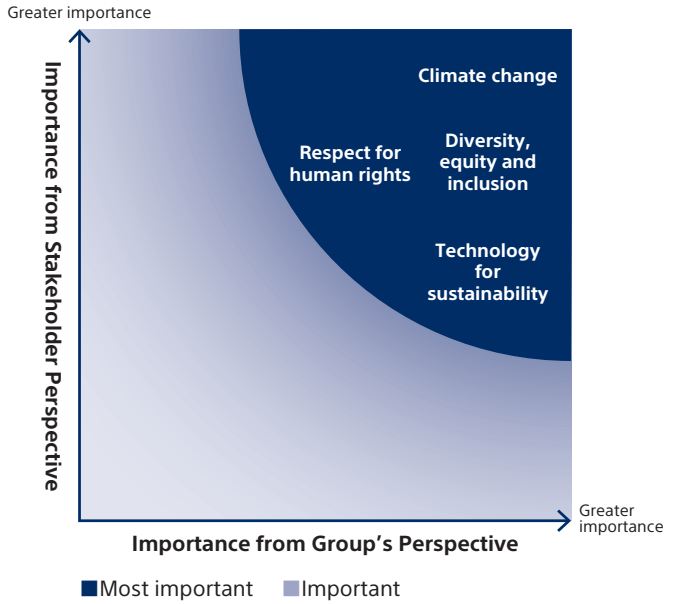
The Sustainability Department strives to spread the basic policy on sustainability across Sony's business operations and, through dialogue with stakeholders and materiality analysis, identifies sustainability issues to be addressed by the entire Group, sets guidelines, and promotes initiatives. Through materials such as the Sustainability Report, Sony discloses information related to its sustainability efforts.

Material Topics in Sustainability

To ensure that the Group's sustainability work is compatible with changes in the social environment and the needs of stakeholders, Sony regularly identifies and analyzes material topics related to sustainability with a medium- to long-term perspective.

In its FY2022 materiality analysis, Sony defined materiality as "material topics that are related to sustainability, impact Sony's value creation, and are determined with longer-term social change and diverse stakeholder needs in mind." From the perspectives of both the company and stakeholders, it then assessed the importance of various sustainability issues relevant to Sony. As a result of this analysis, climate change, DE&I (diversity, equity, and inclusion), respect for human rights, and technology for sustainability were identified as the most important material topics.

Sony Group Material Topics



Note: For information on Sony's priorities and main initiatives related to sustainability, including the most important topics in the areas of focus, see the Sony Sustainability Report 2023.

Sustainability Report 2023
https://www.sony.com/en/SonyInfo/csr_report/

Areas of Focus for Sustainability in Each Business

G&NS	• Cultivating a corporate culture that emphasizes DE&I • Broad accessibility functions of hardware, controllers, and game titles, as well as development of dedicated peripherals • Improving energy efficiency across hardware and network services; continuing to reduce plastic use in packaging • Addressing environmental and human rights risks in the context of global supply chains
Music	• Fostering a culture of respecting DE&I • Emphasizing the well-being of employees and creators • Environmental awareness-raising and social contribution activities using content IP
Pictures	• Expanding the pipeline for diverse stories, talent, and workforce from a variety of backgrounds • Undertaking initiatives to combat climate change and preserve natural resources • Promoting environmental awareness programs using existing content IP
ET&S	• In environmental considerations, promoting powering operations at all business locations and offices with renewable electricity, and in product manufacturing, reducing energy consumption, using recycled materials, and minimizing plastic packaging • From an accessibility perspective, promoting incorporation of inclusive design into the commercialization process that reflects the needs of users who require accessibility features • Diversifying of human resources and creating comfortable working environments, including initiatives to eliminate the gender gap mainly in Japan • Addressing environmental and human rights risks in the context of global supply chains
I&SS	• Reducing environmental footprint through such means as reducing greenhouse gas emissions and recycling natural resources in semiconductor manufacturing processes • Contributing to the environment through the development of environmentally conscious products and technologies • Creating an environment that encourages an aspirational spirit for people with diverse backgrounds and perspectives • Acquiring and developing talent through collaboration with governments, academia, and other industries • Addressing environmental and human rights risks in the context of global supply chains
Financial Services	• Responding to climate change problems, mainly focusing on reduction of greenhouse-gas emissions • Strengthening investment and asset management system according to the ESG investment policy of Sony Financial Group • Attracting and cultivating talented personnel with highly specialized knowledge through training, and promote DE&I, such as through increasing the percentage of management positions held by women and improving accessibility • Acting ethically and with integrity, complying with laws and regulations, and ensure healthy and appropriate management with the public nature of financial services in mind

Each business unit considers sustainability issues and opportunities for its respective businesses, and, with its own unique perspective, aims to implement sustainability-related initiatives that align with its business characteristics. In G&NS, ET&S, and I&SS sustainability priorities focus on the effort to reduce the carbon footprint of products and production processes, make products and services more accessible, and manage supply-chain risks in terms of the environment and human rights. The Pictures and Music segments focus on applying content IP to help raise awareness of environmental issues and DE&I, and provide support to organizations, artists, and creators advocating for social justice and the protection of human rights. In the Financial Services segment, the focus is on ensuring sound and appropriate business practices. Priorities commonly shared by all business units include assisting employees so they can make the most of their skills and originality, and cultivating a corporate culture that respects DE&I.

Message from the Senior General Manager of the Sustainability Department

Mitsu Shippee
Senior General Manager,
Sustainability Department

As Sony finds itself in a rapidly and substantially changing environment, where climate change is causing large-scale natural disasters more frequently than ever worldwide, human rights are more exposed to risks, and social divisions are widening, I feel that Group-wide initiatives to make our business more sustainable are more strongly integrated with management practices than ever before, and spreading to the operations of every business unit. This is an evolutionary change that is only possible when each business unit truly understands the importance of working and taking action with sustainability in mind.

The Sustainability Department promotes sustainability as a Group-wide effort through regular information-sharing meetings with people in charge of sustainability in each business unit. We hold a global sustainability conference every year to discuss sustainability initiatives implemented in each business and share progress. We will keep working to maintain dialogue with our stakeholders and further evolve sustainability initiatives at Sony.

Materiality: Climate Change

Acceleration of Achievement Targets

Since the 1970s, Sony has been engaged in a broad range of environmental initiatives. In 2010 Sony announced Road to Zero, a global environmental plan with the goal to achieve a zero environmental footprint by 2050. From the standpoint of the designated priority area of climate change, Sony set the goal of reducing greenhouse gas (GHG) emissions to zero for its products and business activities throughout their entire life cycles, and to this end each business segment is implementing its own action plan.

Facing the growing threat of climate change worldwide, in 2022 Sony announced that it would push forward its net-zero targets throughout its value chain, moving the target year from 2050 to 2040. This also entails reducing direct and indirect emissions from its own operations (Scopes 1 and 2) to net-zero status by the end of 2030. Sony has also accelerated its goal of achieving 100% renewable energy in its operations by advancing the target year from 2040 to 2030.

To achieve these goals, Sony pursues energy efficiency in its products, promotes energy conservation and the use of renewable energy in all its offices and plants worldwide, and engages the supply chain to join the effort to reduce GHG emissions. As part of efforts to help decarbonize society as a whole, Sony is developing and offering more energy-saving products, services, and solutions in the many areas its businesses cover, as well as actively investing in startups working to develop the next generation of environment-related technologies.

Specific Initiatives

Reducing Product Energy Demand

Sony has instituted many initiatives to reduce the energy consumed by its products, setting specific annual goals for each product category. Examples of such initiatives include the development of an automatic energy-saving function for Bravia™ TV sets using a dedicated camera to detect whether a person is in front of the TV, and a focus on energy-saving design for the VPL-XW5000 video projector, which has resulted in a 30% reduction in electricity consumption per lumen (a measure of the brightness of light) compared to the previous model, VPL-VW775, while maintaining the same performance. Sony's Crystal LED displays for professional use (BH and CH series) have also achieved energy efficiency gains of more than 20% over the B and C series through measures such as adoption of highly efficient LED elements, innovations in light transmission through the evolution of surface processing technology, and Sony's proprietary power source design.

Renewables as Exclusive Energy Sources for Sony Operations

Sony is also working to utilize 100% renewable energy to power its operations worldwide, including installing solar power systems and purchasing renewable energy from electric utilities. This goal has already been attained in Europe and China, with plans in place to introduce more renewable energy in Pan-Asia, North America and Japan.

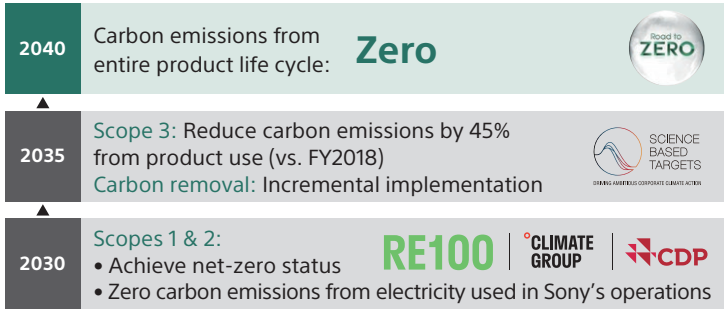
Japan's First Virtual PPA under Feed-In Premium Scheme

As a new initiative to introduce more renewable energy, in FY2022 Sony Global Manufacturing & Operations Corporation implemented a virtual power purchase agreement (PPA) under the feed-in premium scheme, the first Japanese company to do so, at its Kohda Site. Under this virtual PPA, the Kohda Site is expected to consistently introduce approximately 2.4 million kWh of renewable electricity each year.

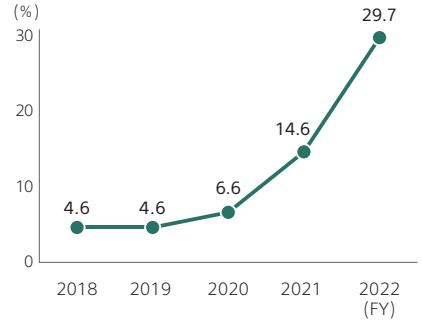
Reduced Emissions across Entire Supply Chain

Sony asks its manufacturing partners and suppliers of materials and parts to analyze their own GHG emissions, set reduction goals, and manage progress. It has also implemented a measure to share with its business partners and clients the energy-saving expertise it has garnered from initiatives at Group sites worldwide. Sony helps some of them set targets for emissions reduction equivalent to levels set out by the Science Based Targets initiative, and obtain the initiative's approval.

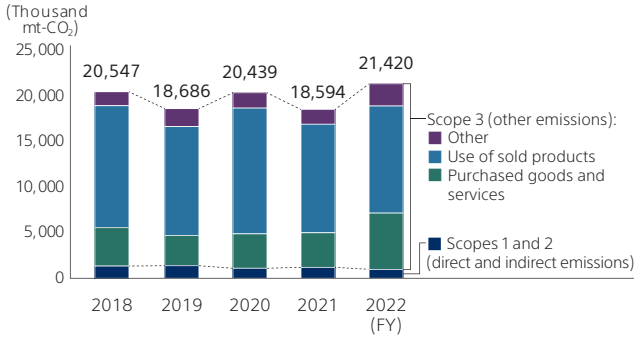
Road to Zero Road Map



Percentage of Renewable Electricity Used at Own Business Sites



GHG Emissions



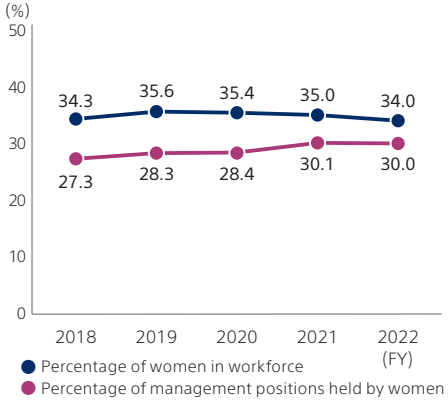
Materiality: DE&I

Sony works to bring value to society from the standpoint of its Purpose & Values while implementing DE&I initiatives based on its People Philosophy, "Special You, Diverse Sony," as well as the Sony Group Diversity Statement.

Sony maintains operations in countries and regions around the world, hiring employees with high potential who best meet local needs. Approximately half of all Sony Group employees are engaged in business activities outside Japan, and more than 90% of these employees are locally hired. Sony aims to globally promote greater opportunities for women as part of its efforts to ensure an inclusive work environment in which diverse employees can play an active role. As of March 31, 2023, the ratio of women in workforce was 34.0% and the ratio of management positions held by women was 30.0% at the whole Sony Group. Additionally, Sony will continue to pursue gender diversity as an area of focus for Japan, where the ratio of management positions held by women is low and the number of women majoring in the fields of science or engineering is limited.

Sony also hires and provides workplace support for individuals with disabilities. Beyond focusing on complying with the laws, rules, and regulations of each nation and region in which it operates, Sony is devoted to creating inclusive workplaces where all employees, regardless of disability, can build careers. The Sony Group as a whole endeavors to increase the accessibility of its products and services, and undertakes initiatives related to diversity and social justice. In 2020, the Group established the 100 million USD "Global Social Justice Fund" to provide support to various organizations and promote DE&I worldwide. The Sony Music Group Global Scholars Program, established by the Sony Music Group in June 2022 to develop the next generation of industry leaders, is a case in point. It recently announced 50 scholarship recipients from all over the world and has begun assisting with their education. To address racial inequality and social injustice around the world, Sony Pictures Entertainment launched Sony Pictures Action, a multipronged strategy to promote racial equality and inclusion, anchored on the four pillars of People, Content, Partners, and Community. Sony Interactive Entertainment, meanwhile, has created its PlayStation Career Pathways Program, a multi-year talent development initiative supporting Black and Indigenous university students seeking careers in the gaming industry. The program offers scholarships, mentorships, and career readiness training to participants, with the goal of helping them build the skills and connections needed to succeed in the industry.

Ratio of Women in Workforce and Ratio of Management Positions Held by Women (Group-wide)



Note: Totals based on data as of March 31 for each fiscal year. Note that definition of "management" may vary by country, region and company.

GLOBAL SCHOLARS PROGRAM
SONY MUSIC GROUP

SONY PICTURES ACTION!

PlayStation.
CAREER PATHWAYS

Message from the Senior Executive in Charge of DE&I

Naomi Matsuoka
Senior Vice President in charge of Corporate Planning and Control (Game & Network Services Business, Music Business, Pictures Business, and Financial Services Business) and Lead of Group Diversity, Equity and Inclusion, Support for Financial Services Business and Entertainment Area

Sony believes that diversity drives business growth and increases value. In operating a wide variety of businesses globally, Sony finds itself in diverse environments facing various management challenges. To address that, fostering an organizational culture that encourages employees to unleash their potential is an important priority for all Group companies. A corporate culture that welcomes diverse values can stimulate both the company and its employees, encourage them to help one another grow, and create opportunities to embrace new challenges. The challenges embraced by diverse individuals, in turn, become the sources of Sony's innovation and its competitive advantage, leading to sustainable evolution and value creation for society. As a part of society, Sony considers diversity, equity and inclusion essential to collaboration among its approximately 110,000 employees worldwide, and is accelerating initiatives to promote related efforts under its Purpose & Values.

Materiality: Respect for Human Rights

Sony is aware of the potential human rights impact of its global business activities. Sony recognizes that respecting human rights throughout Sony's value chain and addressing any potential human rights risks, whether the relationship with Sony's business operation is direct or indirect, are responsibilities that a diverse range of stakeholders expect of Sony. Considering recent changes in the external environment related to human rights, Sony believes it is important to further strengthen its efforts in this area.

Sony's policy requiring respect for human rights is set forth in the Sony Group Code of Conduct. Sony expects all Sony Group companies to practice responsible business conduct by respecting all human rights in compliance with the code as well as all relevant laws and regulations.

Under this Policy, Sony has established and implemented Group policies specific to the human rights area, such as the "Sony Supply Chain Code of Conduct," which sets forth the code of conduct for Sony's own manufacturing sites and suppliers and aims to work towards a responsible supply chain, and the "Sony Group AI Ethics Guidelines," which guide all Sony employees and officers to utilize AI and/or AI-related R&D in a manner that conforms with our values and emerging social norms. Sony engages in initiatives to prevent or mitigate any potential negative impact on human rights in line with the frameworks set out in the United Nations Guiding Principles on Business and Human Rights issued by the United Nations Human Rights Council and the OECD Guidelines for Multinational Enterprises. As one of its major initiatives in this area, Sony conducts human rights risk impact assessments, which serve as the starting point for its human rights due diligence. After identifying potential human rights risks that are highly relevant to Sony's business activities, the assessments further identified three priority areas for enhancing initiatives throughout the Sony Group: responsible supply chains, respect for DE&I, and responsible development and use of technologies. Based on these assessments, Sony promotes individual initiatives for each of these areas.

Priority Areas for Human Rights Inititatives

Responsible supply chains	**Respect for DE&I**	**Responsible development and use of technologies**

Materiality: Technology for Sustainability

As the environment continues to change rapidly and substantially worldwide, social and environmental problems are increasing in gravity. Sony believes that it is essential to contribute to the solving of such problems through the application of technology. To that end, Sony supports technological development that helps businesses grow, along with innovation that betters society and industry for the future. In 2022 Sony established its R&D mission: "Push our civilization forward and make this planet sustainable."

To help facilitate this, the company conducts research and development in businesses and fields where it can enrich people's lives, enhance social infrastructure, and make significant contributions to sustainability. Sony's research and development is underway, for example, on sensing technology that measures the water content in soil, ultra-wide-area communication network technology, and predictive data analytics technology based on captured data. Sony has combined these technologies to build its Earth MIMAMORI platform, which aims to help predict and mitigate the effects of natural disasters and contribute to solving environmental concerns. The intelligent vision sensor IMX500, which is a CMOS image sensor equipped with AI processing functionality helps to raise efficiency and productivity in society, such as by realizing smart cities and factories.

The IMX500 processes data inside the sensor itself, and is capable of extracting only necessary data. In transmitting a 4K image to the cloud, for example, it can reduce the volume of data to one-7,400th of what the average digital camera transmits, helping to reduce energy consumption and communication costs. Sony will continue to develop and offer solutions to create value for society by applying its technologies in partnership with other companies.

Sensing technology

Network technology

Predictive data analytics

Financial Highlights

Review of FY2022

In FY2022, consolidated sales and financial services revenue grew by 16% year-on-year to 11,539.8 billion yen, while operating income was essentially flat at 1,208.2 billion yen. This increase in sales was mainly due to the impact of foreign exchange rates in all segments except the Financial Services segment, as well as an increase in sales in the G&NS segment due to an increase in sales of PS5™ hardware. Meanwhile, operating income increased to a new record high, mainly due to non-recurring factors in the Financial Services segment, the positive impact of foreign exchange rates in the I&SS segment, and the contribution of higher revenues from paid subscription streaming services in the Music segment. These gains were partially offset by the absence of a gain from the transfer of certain business operations in the Pictures segment recorded in the previous fiscal year, as well as an increase in game software development costs and expenses associated with acquisitions in the G&NS segment. Excluding the Financial Services segment, consolidated operating cash flow totaled 415.5 billion yen.

Net income attributable to Sony Group Corporation's stockholders for the period was 937.1 billion yen, an increase of 54.9 billion yen compared with the previous fiscal year.

FY2022 Consolidated Financial Results

(Billion yen)

	FY2021[1]	**FY2022[1]**	Year-on-year Change (+/-)
Sales and Financial Services revenue	9,921.5	**11,539.8**	+1,618.3 (+16%)
Operating income	1,202.3	**1,208.2**	+5.9 (+0%)
Income before income taxes	1,117.5	**1,180.3**	+62.8 (+6%)
Net income attributable to Sony Group Corporation's stockholders	882.2	**937.1**	+54.9 (+6%)
Operating cash flow (excluding Financial Services)[2]	813.3	**415.5**	–397.8
Investing cash flow (excluding Financial Services)[2]	(711.1)	**(1,032.0)**	–320.9
Operating CF + Investing CF (both excluding Financial Services)[2]	102.1	**(616.6)**	–718.7

1. Average exchange rates were 1 USD = 112.3 JPY and 1 EUR = 130.5 JPY for FY2021, and 1 USD = 135.4 JPY and 1 EUR = 140.9 JPY for FY2022.
2. Operating cash flow (excluding Financial Services) and investing cash flow (excluding Financial Services) are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors.

FY2022 Sales / Financial Services Revenue and Operating Income by Segment

(Billion yen)

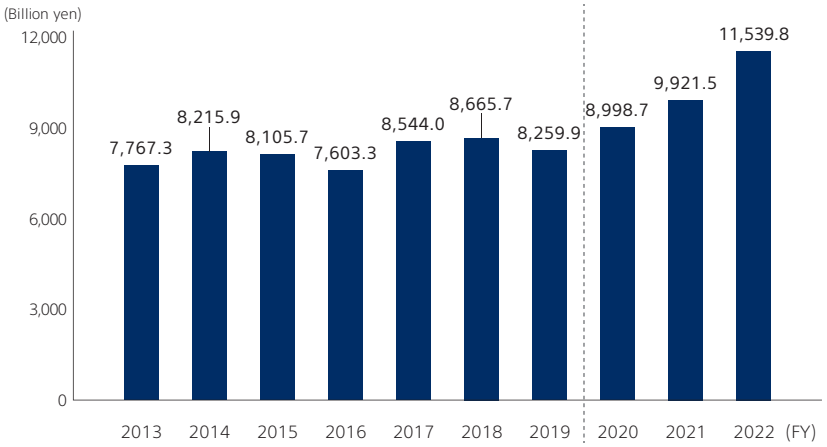
	Sales / Financial Services Revenue		Operating Income		Main Factors in Operating Income Change
	FY2021	**FY2022**	FY2021	**FY2022**	
G&NS	2,739.8	**3,644.6**	346.1	**250.0**	(–) Increase in costs, mainly for game software development and expenses associated with acquisitions, including Bungie (–) Impact of decrease in sales of non-first-party titles, including add-on content (+) Impact of increase in sales of first-party titles (+) Decrease in losses from hardware
Music	1,116.9	**1,380.6**	210.9	**263.1**	(+) Positive impact of foreign exchange rates (+) Impact of higher sales for Recorded Music and Music Publishing from paid subscription streaming services (+) Impact of litigation settlements received in relation to lawsuits for Recorded Music and Music Publishing (–) Impact of lower sales for Visual Media & Platform
Pictures	1,238.9	**1,369.4**	217.4	**119.3**	(–) Absence of gain from the transfer of GSN Games business in previous fiscal year (–) Impact of decrease in theatrical revenues for Motion Pictures and lower licensing revenues for Television Productions as previous fiscal year benefited from the licensing of *Seinfeld*
ET&S	2,339.2	**2,476.0**	212.9	**179.5**	(–) Impact of lower sales revenue in televisions due to decrease in unit sales (+) Impact of higher sales revenue in digital cameras due to increase in unit sales
I&SS	1,076.4	**1,402.2**	155.6	**212.2**	(+) Positive impact of foreign exchange rates (+) Impact of increase in sales of image sensors, mainly for mobile products (–) Increases in R&D and depreciation/amortization, as well as manufacturing expenses
Financial Services	1,533.8	**1,454.5**	150.1	**223.9**	(+) Absence of loss recorded due to an unauthorized withdrawal of funds in previous fiscal year and recovery of said funds in FY2022 at a subsidiary of Sony Life (+) Significant increase in profits at Sony Life due to recognition of gain on sale of real estate and accumulation of policy amount in force

Note: Effective from April 2022, the former Electronics Products & Solutions (EP&S) segment has been renamed the Entertainment, Technology & Services (ET&S) segment. This change has not resulted in any reclassification of businesses across segments.
* Financial services revenue and operating income of the Financial Services segment are measures in accordance with IFRS 4 (applies to all following pages).

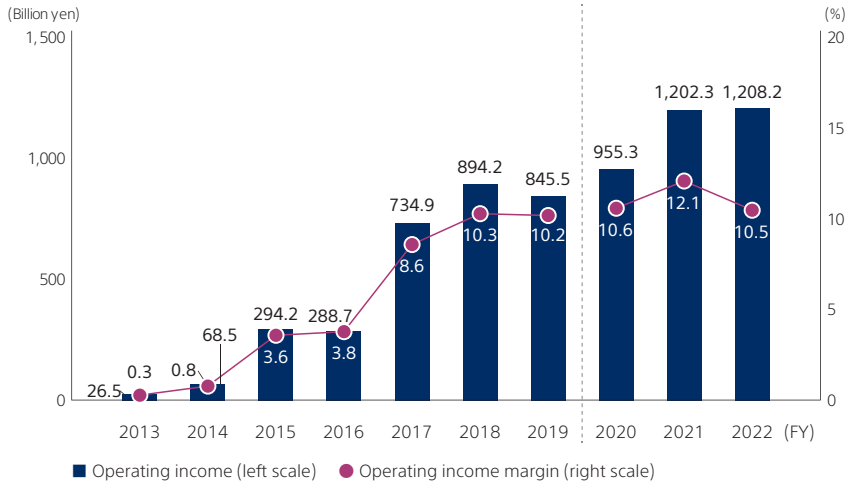
Changes in Key Financial Metrics

Note: Sony adopted IFRS starting in the quarter ended June 30, 2021, in lieu of the previously-applied generally accepted accounting principles in the U.S. (U.S. GAAP). Results for FY2020 are also presented in accordance with IFRS. Therefore, results for FY2013-19 are based on U.S. GAAP, and results for FY2020-22 are based on IFRS.

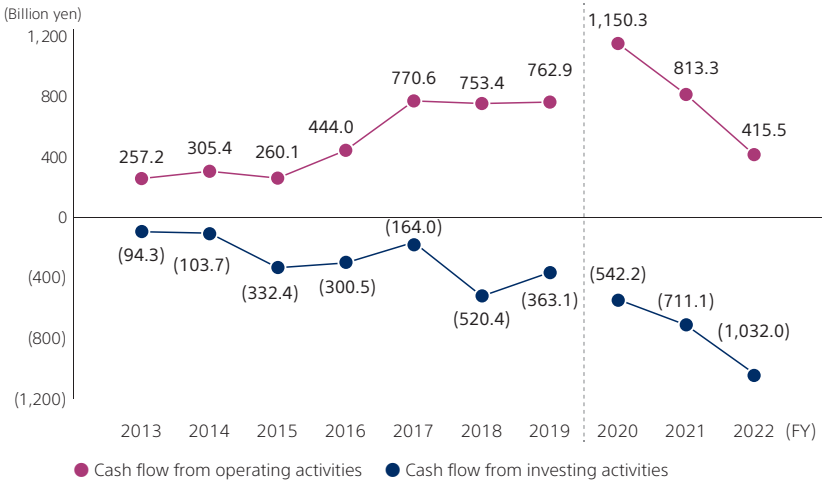
Sales



Operating Income, Operating Income Margin

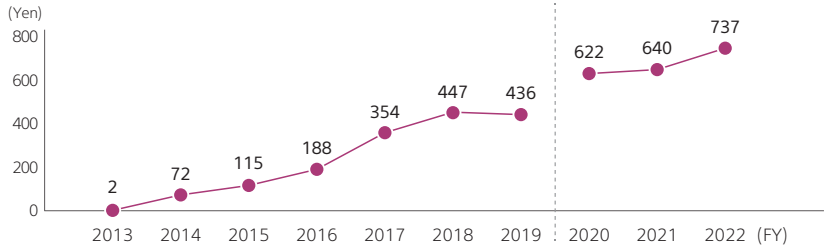


Cash Flow from Operating Activities, Cash Flow from Investing Activities (excluding Financial Services)



Note: Information related to cash flow (excluding Financial Services) disclosed here is not in accordance with U.S. GAAP or IFRS, but Sony believes it may be useful information for investors.

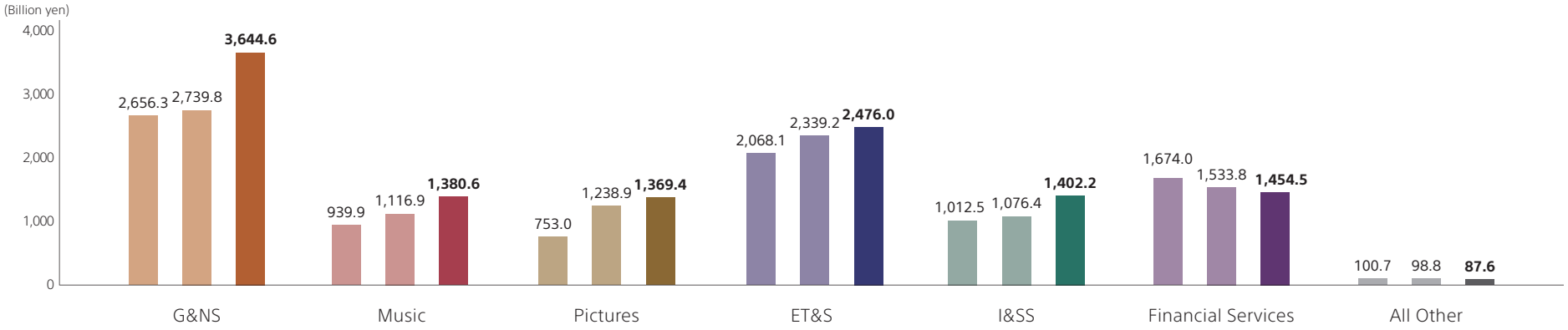
Adjusted EPS (Net Income Attributable to Company's Stockholders per Share (diluted))



Note: Adjusted EPS is the result of dividing adjusted net income attributable to the Company's stockholders for each fiscal year ("Adjusted net income") by the number of shares outstanding. The weighted-average number of shares on a diluted basis disclosed in the Form 20-F for the corresponding fiscal year is used as the number of shares outstanding. For information on adjusted net income for FY2021 and FY2022, please refer to Sony's Form 20-F. Adjusted net income from FY2017 to FY2020 is the "Adjusted Net Income Attributable to Sony Group Corporation's Stockholders" shown in the materials used in the year-end Earnings Announcement for the corresponding fiscal year. Adjusted net income for FY2016 and the years prior is calculated based on income before income taxes for the corresponding fiscal year adjusted for profit/loss determined by Sony to be non-recurring in nature, applying the statutory tax rate disclosed in the Form 20-F for the corresponding fiscal year and subtracting net income attributable to non-controlling interests. Profit/loss deemed to be non-recurring in nature is disclosed in specific figures in the Form 20-F for the corresponding fiscal year, and includes profit/loss from factors such as write-downs of tangible and intangible assets, sales of assets and businesses, reevaluation of shares owned and expenses related to natural disasters. Because effective tax rates exhibited significant volatility between FY2013 and FY2016, statutory tax rates have been used instead to better display the trend during this period. Please refer to the Form 20-F for each fiscal year to see the differences between effective and statutory tax rates.

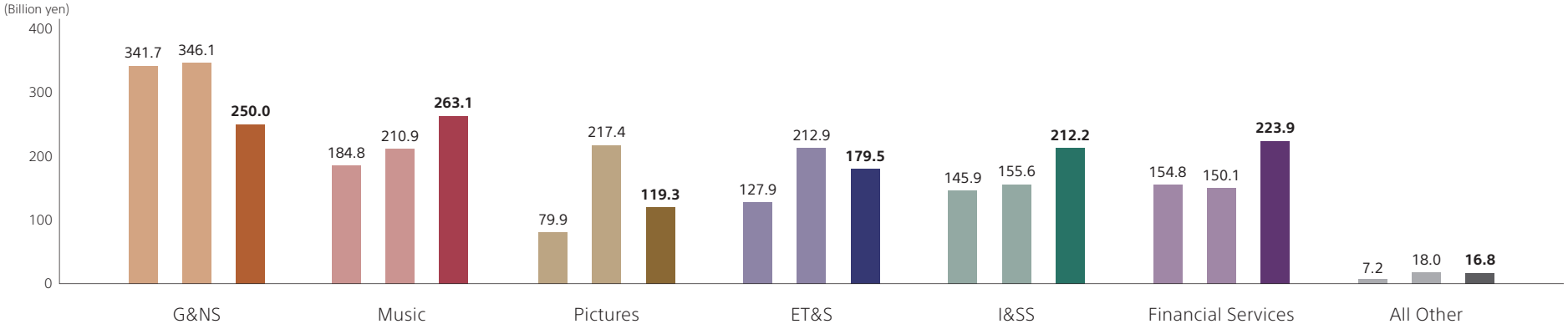
Performance Trends by Segment

Sales by Segment



Left: FY2020; Middle FY2021; Right: FY2022

Operating Income by Segment



Left: FY2020; Middle FY2021; Right: FY2022

Note: Due to organizational changes as of April 1, 2021, from Q1 FY2021 Sony transferred certain businesses and functions previously included within All Other and Corporate and elimination to the ET&S segment. On this page, sales and operating income (loss) for each segment for FY2020 are presented to conform to the organizational structure for FY2021.

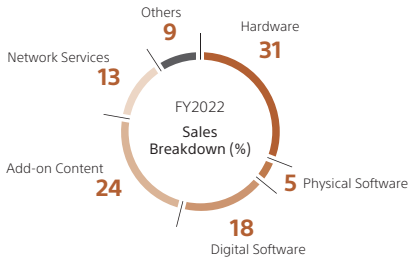
Value Creation in Each Business

For more financial details, please refer to earnings releases, Supplemental Information, and other materials on Sony's website.
Investor Relations https://www.sony.com/en/SonyInfo/IR/

Business Profiles

G&NS

Accounts for roughly one-third of Sony's total sales
Established as one of the world's leading game ecosystems
(FY2022 operating CF: -168.5 billion yen; investing CF: -305.3 billion yen)



Revenue Sources

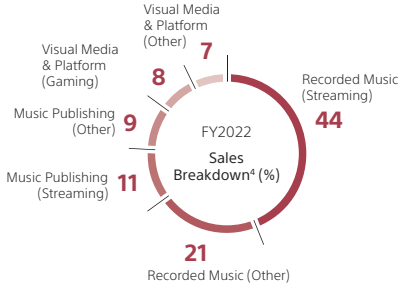
In FY2022, G&NS enjoyed significant growth in the hardware sales of PS5™, attributable to a major improvement in supply. At the same time, in the earnings structure of the past few years, recurring business via PSN through the growth of network services and add-on content has become an important revenue source in addition to software sales. The number of monthly active users of the entire line of PlayStation® consoles, and total game playing time, which together are the basis for the trend, are both increasing over the long term.

Investment Areas[1]

From FY2023, G&NS has decided to partially capitalize software development costs, considering factors such as the development process for live service games, but the segment's assets fluctuate within a certain range as it expenses most development costs for new consoles and software, and outsources most hardware production. G&NS invests in M&A and strategic partnerships, mainly with game developers, as well as in R&D to strengthen content IP. In FY2022, G&NS completed the acquisition of Bungie and Haven Entertainment Studios.

Music

Forerunner of Sony's entertainment business
Ranks first[2] globally in music publishing and second[3] in recorded music
(FY2022 operating CF: 181.3 billion yen; investing CF: -25.2 billion yen)



Revenue Sources

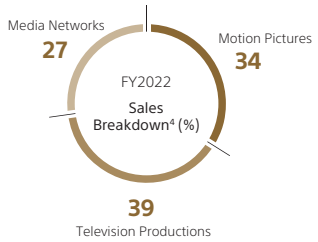
Recorded music is a relatively capital-efficient business, as revenues from digital distribution and package sales are shared with artists and other related parties. Music publishing, with its immense music catalog, has a business structure that allows for the generation of stable revenue from royalties and other sources over the long term, although ROIC[5] is low. The music market has continued to expand since 2015 with the growth of streaming services. Visual media and platform is characterized by solid medium-term profitability due to multifaceted application of content IP.

Investment Areas[1]

The Music segment is actively engaged in discovering and cultivating new talent. It is also enhancing its support for independent and local artists, particularly as such artists account for a growing part of the market. In FY2022, the Music segment partnered The Orchard up with AWAL, which it acquired in FY2021, to widen its touch points with the music community. The segment is also working to continuously enrich its music catalog, which is a collection of content with a high level of liquidity as an asset. It is also enhancing investment in anime content IP, which can be deployed and utilized across a wide variety of media.

Pictures

Established unique status as an independent studio
Owner of excellent content IP, including blockbuster film franchises
(FY2022 operating CF: 28.6 billion yen; investing CF: -112.7 billion yen)



Revenue Sources

Motion pictures generate medium- to long-term revenue from distribution and licensing in addition to box office revenue. Theatrical film production and releases have been affected by the pandemic, but the situation is now normalizing. In TV production, the segment has been striving to maximize the value of its content IP under a strategic supplier strategy. Media networks offer two stable revenue sources, subscription fees and advertising fees, while niche-market DTC services are achieving growth for the communities of interest they can foster. The segment will work to maximize long-term IP value with a business structure designed to stabilize revenue.

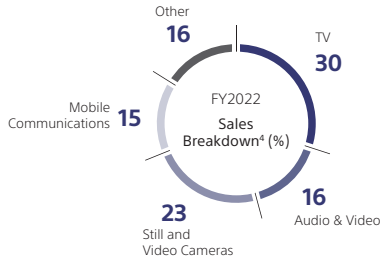
Investment Areas[1]

While content production and acquisition costs are capitalized as deferred film production costs, the recovery of funds tends to be over a longer period of time, resulting in a larger capital investment. Investment targets include firms that produce motion pictures and TV programs, and in FY2022, the segment acquired Pixomondo, which has strengths in virtual production, along with the anime-related e-commerce firm, Right Stuf, Inc.

1. Investments also include non-capital assets. 2. As of 2022 (source: Music & Copyright) 3. As of 2022 (source: IFPI) 4. Sales to external customers 5. Return on invested capital
Note: Cash flow information (excluding Financial Services) is not a measure in accordance with IFRS. However, Sony believes that these disclosures may provide useful information to investors.

ET&S

Sony's founding business
High added value made possible by technologies that differentiate Sony in images, sound, and communication
(FY2022 operating CF: 208.3 billion yen; investing CF: -116.6 billion yen)



Revenue Sources

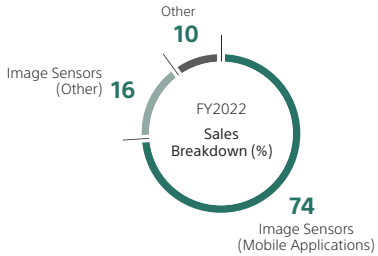
Through an approach that values profitability over sales volume or unit sales, earnings are being driven by products with high added value, such as mirrorless interchangeable-lens cameras, TV sets, and headphones. Despite changes in the business environment caused by the pandemic, shortages of semiconductors and other parts, and a worldwide economic slowdown, the segment has appropriately handled fluctuations in supply and demand and secured stable earnings on the strength of its comprehensive cross-Group operations, from development to production, distribution, and sales. By shifting its business model portfolio, the segment also aims to increase the proportion of solution/recurring businesses which are more resilient to external changes to further stabilize revenue.

Investment Areas[1]

The segment's R&D investment is focused on the development of technologies that emphasize growth in real-time value and the fusion of the physical and virtual worlds, as well as on high-value-added products. Especially in recent years, ET&S has invested capital in growth areas such as sports and life sciences, where the segment can leverage its technologies that have been long cultivated in the area of electronics. Capital expenditures mainly consist of recurring investments within the scope of depreciation, and no major expenditures are planned at present.

I&SS

Built on the strength of CMOS image sensor technologies
Achieved high market share by marketing high-value-added products
(FY2022 operating CF: 164.0 billion yen; investing CF: -369.6 billion yen)



Revenue Sources

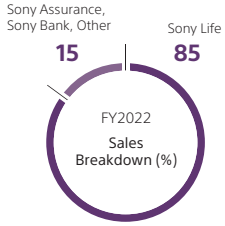
The core product of I&SS is image sensors. Image sensors have shown continuous growth since the 2010s, mostly for mobile products. The segment aims to continue to lead the trend in adopting larger mobile sensors with higher image quality and performance, and expand its market share by revenue. The segment is also exploring broader applications for sensors in the automotive and industrial spaces, as well as products with AI-processing capabilities for the retail and logistics industries.

Investment Areas[1]

I&SS is investing in increasing the production of image sensors. Moreover, R&D efforts are being progressed in the areas of automotive business as well as the development of both software and new products that apply edge AI processing technologies. The segment continues to exercise strategic inventory management, utilizing its current production capacity and optimizing the timing of future capital investments while carefully examining demand projections.

Financial Services

Established solid status in Japan with services tailored to each individual customer
Business characterized by stable revenue



Revenue Sources

Sony Life, in both its consumer and corporate sectors, earns stable revenue from a unique business model providing life insurance tailored to individual customer life plans through in-depth consultations. Sony Assurance earns revenue primarily from direct sales of a variety of insurance products, mainly automobile insurance and fire insurance, to individual consumers. Sony Bank earns revenue primarily through offering mortgage loans and foreign-currency deposits to consumers via online services.

Investment Areas[1]

While focusing on remaining operationally sound as a financial institution, the Sony Financial Group invests in initiatives designed to fully leverage the potential of the Lifeplanner sales specialists of Sony Life, SFG's core company. It also invests continuously in the development of products and services that respond to social and environmental changes across all its businesses, as well as in efforts to increase the value provided to customers using technology.

1. Investments also include non-capital assets. 2. As of 2022 (source: Music & Copyright) 3. As of 2022 (source: IFPI) 4. Sales to external customers 5. Return on invested capital
Note: Cash flow information (excluding Financial Services) is not a measure in accordance with IFRS. However, Sony believes that these disclosures may provide useful information to investors.

Game & Network Services

Business Vision

To Be “The Best Place to Play”

Value Created

1 Enriching people’s hearts through the delivery of emotional experiences

Providing “The Best Place to Play” with innovative, engagement-driven experiences. We strive to be worthy of our players’ time by creating diverse forms of communication and entertainment, along with communities where users can continuously interact and connect.

2 Helping creators realize their dreams

Products, services, and tools that provide creators with an environment that enables them to fully bring their creative vision and innovation to life and share it with the world.

We will continue to engage PlayStation® gamers and creators around the world as we bring the PlayStation® experience and PlayStation Studios IP to a wider range of users and devices across console, PC, mobile, and cloud, while continuing efforts in live services and IP adaptations.

Jim Ryan
Officer in charge of Game & Network Service Business
President and CEO,
Sony Interactive Entertainment LLC

Understanding the Business Environment

- Greater demand for continuously engaging and innovative games
- Diversification in how and where content is accessed
- Growing importance of social gaming communities
- Enhancement of software capabilities and accessibility functions
- Advancement of transformative technologies
- New entrants from non-traditional gaming companies
- Evolution of data analytics leverage and reliability

Market Presence

PS5™ hardware cumulative units sold-in globally:
41.7 million*

PSN monthly active users:
108 million*

Drivers (Creativity, Technology, and Diversity)

- Global, world-class studios and developers working on rich IP and franchises
- Leveraging synergies within the Group for IP expansion, DTC, etc.
- Leading brand power of PlayStation® cultivated via user and creator trust
- Focus on engaging hardware and software features
- Development beyond console in PC, mobile, and services areas
- Investment in live service gaming and varying game formats
- Robust game communities connecting diverse users and creators

Areas of Focus for Sustainability

- Cultivating a corporate culture that emphasizes DE&I
- Broad accessibility functions of hardware, controllers, and game titles, as well as development of dedicated peripherals
- Improving energy efficiency across hardware and network services; continuing to reduce plastic use in packaging
- Addressing environmental and human rights risks in the context of global supply chains

Strategic Key Points

❶ Growth in consoles

❷ Portfolio expansion

❸ Sony Group collaboration and sustainability

Strategically Emphasized Indicators

- PS5™ hardware units sold globally
- PSN monthly active users
- Total gameplay hours
- The number of beyond console productions

* As of June 30, 2023

Strategic Direction

The gaming market continues to undergo marked change, driven by increasing diversification in interfaces, content types, and approaches to monetization. Against this backdrop of varied choice, Sony Interactive Entertainment (SIE) strives to continue to be "the best place to play" by focusing on getting closer to users via increasingly engaging products and services, supporting IP creation across varied media formats to reach broader audiences, and getting closer to creators. SIE's strategy focuses on growth in PlayStation® consoles, its world-leading game network, and its IP portfolio expansion. Concurrently, it aims to drive value creation through accelerated cooperation within the Sony Group, including on sustainability initiatives.

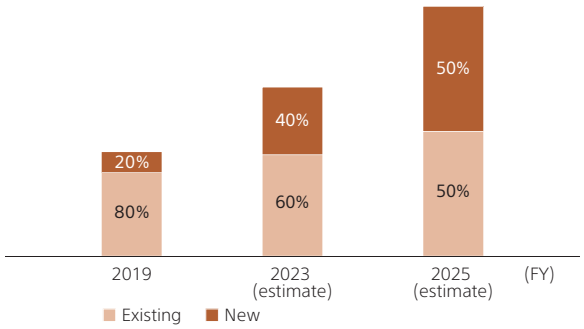
In addition, the acquisitions and investments made over the past several years are beginning to deliver significant returns. SIE is well positioned to focus on driving investment returns and profitability in the next few years while continuing to invest.

❶ Growth in Consoles

In FY2022, the PS5™ install base reached 38.4 million units, and with supply normalized, PS5™ access is expected to continue this trajectory of strong growth.

PS5™ is supported by new immersive and inclusive hardware which broadens access and play type. SIE is dedicated to the PS VR2, ensuring an excellent slate of titles. With the announcement of the Access Controller, Project Q, and the DualSense Edge wireless controller, players of all backgrounds will be able to enjoy accessible, flexible, and customizable gaming experiences. The renewal of PS Plus in FY2022 has increased user engagement with more players subscribing to the Extra and Premium tiers. SIE's efforts to continue strengthening PS5™ is projected to result in outperformance of PS4™ on all engagement indicators, such as MAU and hours.

PlayStation Studios Investment by IP Type

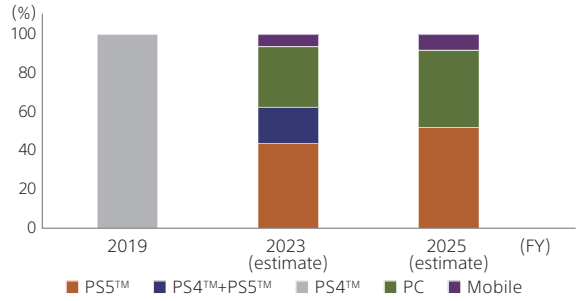


❷ Portfolio Expansion

To promote future growth, SIE places strong emphasis on developing and structuring its first-party IP portfolio. Consistent, major releases will support reliable performance and constant engagement with users. SIE's heavy investment in live service games reflects its focus on ensuring continuously engaging content for players. In addition to the acquisitions of Bungie, Haven, and Firewalk, over half of SIE's investment through FY2025 is reserved for live service gaming development. SIE has already recognized synergies through the strengthening of SIE's live service capabilities, as well as the growth of Bungie, with *Destiny 2: Lightfall's* success made possible via SIE's marketing efforts.

Evolving Shape of First-Party Portfolio

Significant growth of PC and mobile title ratios within portfolio



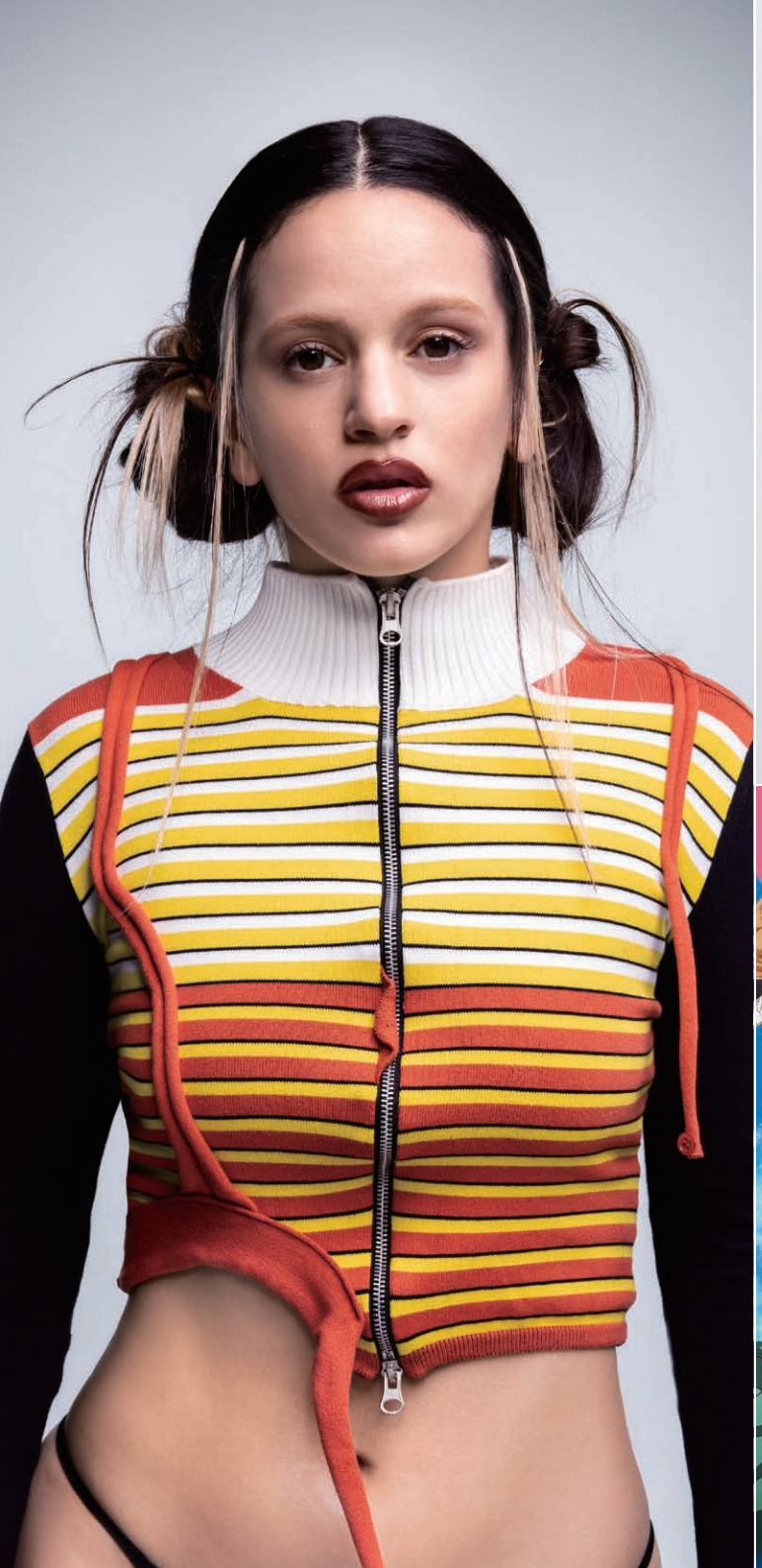
Source: SIE internal targets

To expand and maximize the value of its current IP, SIE initiatives also target film adaptations and expansion to new interfaces such as PC and mobile, opening SIE IP to a wider audience base beyond consoles and providing new ways of engaging and consuming beloved IP. High-quality first-party titles and PC ports have established SIE as a top 20 publisher of PC games. PC gamers are also able to connect their Steam and PSN profiles as part of SIE's ambitions to ensure gaming communities are more open and connected. Aside from the PC domain, mobile efforts were also bolstered in FY2022 with the acquisition of Savage Game Studios to build internal mobile capabilities. Additional mobile initiatives are also underway. Continuing this path of success, SIE plans to make significant strides with its portfolio, undertaking more internal development and active publishing in order to reach its goal of ensuring half of the releases in FY2025 are available on PC and mobile platforms.

❸ Sony Group Collaboration and Sustainability

Through collaboration among businesses within the Sony Group, SIE works to enhance its competitive advantages by leveraging IP creation synergies. Film adaptations of game IP have worked particularly well. The Max series *The Last of Us* drew record viewership numbers, leading to a resurgence in game sales for the franchise. Capitalizing on these synergies, further adaptations are also in development for *Gran Turismo*, *Twisted Metal*, *Horizon*, and *Ghost of Tsushima*.

As part of SIE's core efforts, the segment is making strides in areas such as accessibility, the environment, and DE&I. Dedicated to the Road to Zero plan, Sony Group's global environmental plan. SIE is an active participant in the U.N.'s "Playing for the Planet Alliance" program where it works to reduce the environmental impacts of its products and services. In addition to the Access Controller, an accessibility controller that reduces physical barriers to gaming, *God of War: Ragnarök* was also recognized at the 2022 Game Awards for its innovative accessibility features and designs.



Music

Business Vision

- Be the most artist/songwriter-friendly, employee-friendly company, committed to three core values: artistic integrity, transparency, and entrepreneurship
- Drive creative career development and optimize artist and songwriter revenue through the integration of music, entertainment, and technology
- Provide competitive advantages for artists and songwriters through multiplatform One Sony collaborations that create high-quality, technology-driven entertainment opportunities unique to Sony

Value Created

① Enriching people's hearts through the delivery of emotional experiences

Music is a fundamental part of the human experience and Sony Music Group is focused on moving people emotionally through its creative endeavors and technological innovation. SMG works with its artists, songwriters, and video/anime creators to produce highly compelling music entertainment that fans form powerful emotional and cultural connections with throughout their lives.

② Helping creators realize their dreams

Building and maintaining strong, collaborative relationships with music's creators is at the core of Sony Music Group's mission—and SMG is most proud of the contributions it makes in developing and advancing artist and songwriter careers. Through synergies within the Sony Group, the company provides creators with transformative opportunities across diverse fields, media, and platforms.

©Fumita Yanagida, Seikaisha / Tomo-chan Is a Girl! Project

We represent more world-class artists and songwriters whilst building innovative support services for their creativity. Our company keeps expanding through organic growth and acquisitions. We aim to base all our global activity on transparency, integrity and fairness.

Rob Stringer
Officer in charge of Music Business (Global)
Chairman, Sony Music Group
CEO, Sony Music Entertainment

As a comprehensive entertainment enterprise, we will focus on the development of new IPs with music, anime, and game as the core content, and deliver new *Kando* experiences to the world through various solution services.

Shunsuke Muramatsu
Officer in charge of Music Business (Japan)
President and Representative Director of the Board,
CEO, Sony Music Entertainment (Japan) Inc.

Understanding the Business Environment

- A marketplace full of diverse content that crosses linguistic, genre, and national boundaries
- Increasing expectation and demand for new content
- Advance of digital transformation and increasing necessity of copyright management reform
- Changing industry players and intensifying competition

Market Presence

Music Publishing market position
No. 1 in the world[1]

Recorded Music market position
No. 2 in the world[2]

Total streaming sales growth of recorded music/music publishing:
+33% (Compared with previous fiscal year)
FY2021 +38%
FY2020 +23%

Drivers (Creativity, Technology, and Diversity)

- Best-in-class relationships and partnerships with artists and songwriters
- Extensive content IP covering every genre and decade of music
- Futuristic capabilities in finding, developing, marketing, and promoting creators
- Global leadership in music entertainment with unparalleled expertise (recorded music, music publishing, animation industry, and Japanese entertainment industry)
- Technologies contributing to services and transparency for artists and songwriters
- Ongoing investment to expand creative content, including investment in proprietary data, and in analytics platforms and solutions, to provide support for creators' activities

Areas of Focus for Sustainability

- Fostering a culture of respecting DE&I
- Emphasizing the well-being of employees and creators
- Environmental awareness-raising and social contribution activities using content IP

Strategic Key Points

❶ Recorded Music / Music Publishing

- Invest in talent and content (expand touchpoints, strengthen services)
- Ensure emerging markets and new revenue sources
- Sony Group collaboration

❷ Visual Media & Platform

- Production of quality IP/content
- Fan based global expansion

Strategically Emphasized Indicators

- Growth in overall revenue and streaming
- Increasing market share and chart share
- Profit margin growth
- Emerging market revenue growth
- Roster size and song catalog

1. As of 2022 (source: Music & Copyright) 2. As of 2022 (source: IFPI)

Strategic Direction

From its position at the intersection of music, entertainment, and technology, Sony Music Group (SMG) aims to provide powerful insights that help its artists and songwriters push creative boundaries and reach new audiences. In recent years, especially, it has accelerated its growth momentum with aggressive investment, including global acquisitions. In FY2022, SMG's growth outperformed that of the market as it made significant gains in market share on a range of music production and publishing charts.

The music market is highly energized, growing at tremendous speed with distribution formats changing constantly. The music production industry has expanded continuously for eight consecutive years[1], and the music publishing industry for ten consecutive years[2]. Amid continuing advancements in technology, the music industry has an expanding horizon of multiple possibilities, and protecting the rights of artists and songwriters will always be a core focus. SMG has transformed its position and strength in the music ecosystem with the aim of creating further value.

1. Source: IFIP 2. Source: Music & Copyright

❶ Recorded Music / Music Publishing

Over the past five years, SMG's artists have increased by over 34%, while the number of creative staff has also more than doubled to keep pace with this scale of artists and song catalog. Touch points with the music community have also expanded, and with the recent acquisitions of AWAL, Som Livre, and Alamo, SMG has established a solid lineup of music repertoires, label services, artist services, DIY streaming, and music publishing.

In terms of geographic coverage, SMG has expanded its business operations to 70 countries. In the growing Latin American market, for example, SMG has carved out its place as the market leader. It has also captured a large share of the fast-growing Indian market, and is bolstering initiatives to discover local talent in Africa.

SMG has strengthened services for creators, and dramatically increased its portfolio of owned partnerships with merchandising, live concert, and experiential companies, including investments in over 40 studios. In growth areas such as social media, fan engagement, Web3, and the metaverse, SMG continues to build revenue and aims to ensure artists and songwriters are property compensated for the engagement with their content. SMG provides data reporting, commercial insights, and payment solutions through the Artists and Songwriters Forward program promoting transparency, remuneration, and wellness for those musicians. It also provides the Legacy Unrecouped Balance program to enable more of artists' and songwriters' earnings to flow through to them.

In cooperation among businesses within the Sony Group, SMG promotes a number of initiatives such as creating biopics of artists, as well as soundtracks, and identifying talent. It plans to strengthen these activities further over the next few years. Collaboration with segments such as Pictures, G&NS, and ET&S is also highly anticipated by creators, and will be leveraged by SMG to create unique opportunities.

Based in and operating from Japan, Sony Music Entertainment (Japan) Inc. (SMEJ)'s two major growth strategies are to establish a resilient creator ecosystem and maximize fandom with a view to global expansion. Further, SMEJ will continue to focus on delivering hits through effective marketing, promoting artists' global expansion, and expanding live event opportunities that enhance fan engagement.

M&A

AWAL

ALAMO RECORDS

som livre

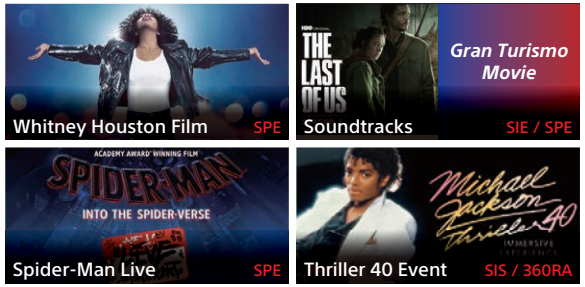
❷ Visual Media and Platform

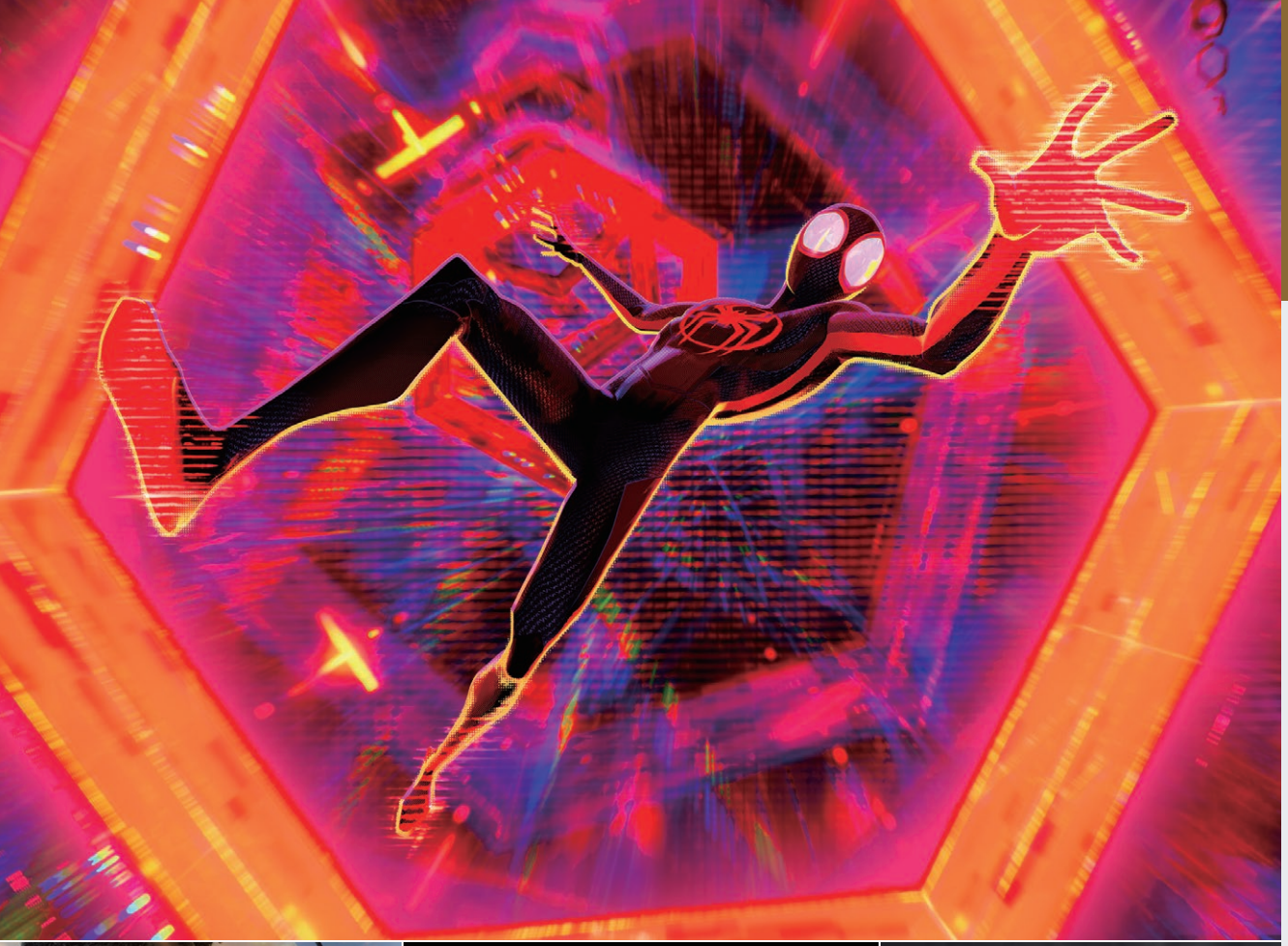
In the last decade, SMEJ's anime and game businesses have made great strides in terms of both business growth and maximization of IP. As a result, its revenue sources have diversified, resulting in a well balanced business portfolio. SMEJ intends to continue its efforts in the production of quality IP/content as well as in effectively capitalizing on its IP through partnerships. Moreover, SMEJ plans to also pursue new business opportunities such as location-based entertainment. Going forward, global expansion will be a key business driver and SMEJ intends to strengthen its efforts in this area in various ways, including by collaborating further with Crunchyroll.

Sustainability

Through these activities, SMG fosters a culture that emphasizes its core values of DE&I and the well-being of creators and employees. It also collaborates with social justice and human rights organizations on efforts to provide greater opportunities for previously underrepresented groups to participate in the music industry. SMG is also working on environmental awareness-raising and social contribution activities that leverage the unique qualities of artists and characters.

Sony Group Collaboration





FROM THE EMMY-AWARD WINNING CREATOR OF CHERNOBYL AND THE CREATOR OF THE ACCLAIMED VIDEO GAME
HBO ORIGINAL
THE LAST OF US
NEW SERIES STREAMING JAN 15
HBOmax

Pictures

Business Vision

Produce and distribute world-class movie, television, and video content to consumers globally around Sony IP and/or serve specific communities of interest.

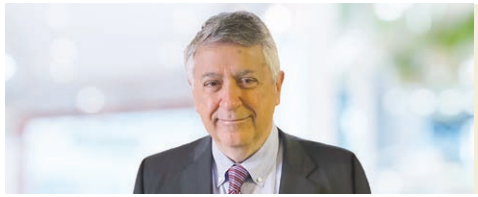
Value Created

1 Enriching people's hearts through the delivery of emotional experiences

By getting closer to creators and people, Sony Pictures Entertainment (SPE) values global audiences, delivering relevant and high-quality content to elevate entertainment and help spark shared emotional experiences through movies, television production, network businesses, and direct-to-consumer (DTC) offerings that expand communities of interest.

2 Helping creators realize their dreams

SPE is one of the best places for creators to create. The studio's independence as a producer enables it to make quality content with top talent for any audience around the world, and showcase that content on any platform to create the greatest impact.



Despite ongoing industry challenges and transformation, SPE posted another year of fantastic results. These results reflect a continuation of upward momentum, and a strengthening of SPE's market position overall. We will build on this momentum through our successful Four Pillar Strategy and continued investment in key areas of growth.

Anthony Vinciquerra
Officer in charge of Pictures Business
Chairman and CEO,
Sony Pictures Entertainment Inc.

Understanding the Business Environment

- Signs of industry stabilization following three years of COVID-related challenges: audiences have shown willingness to return to theaters, and overall box office performance is gradually returning to pre-pandemic levels
- Streaming space continues to evolve: capital markets' focus is shifting from subscriber growth to profitability, and several major streamers are course-correcting and taking significant measures to cut costs and realign strategies
- Geopolitical challenges remain a concern, particularly in markets where theatrical releasing for U.S. studios has become increasingly difficult

Market Presence

Position as the only independent major Hollywood studio

Sony Pictures Entertainment Library Titles*

-Movies: **Over 3,500 titles**
-TV series: **Over 400 titles**

Drivers (Creativity, Technology, and Diversity)

- Ecosystem for creators to develop visual content and reach viewers (talent, music, data analytics, studio facilities, marketing, distribution, and existing IP)
- Strong IP and firm commitment to the theatrical window
- Structure that enables synergies within the Sony Group based on IP and technology

Areas of Focus for Sustainability

- Expanding the pipeline for diverse stories, talent, and workforce from a variety of backgrounds
- Undertaking initiatives to combat climate change and preserve natural resources
- Promoting environmental awareness programs using existing content IP

Strategic Key Points

❶ Strong IP

❷ Strength as an independent studio

❸ A rich library of content

❹ One Sony collaboration

Strategically Emphasized Indicators

- The number of feature film productions
- The number of television productions
- Profit margin growth

*As of March 31, 2023

Strategic Direction

SPE's recent upward growth trend has been driven by its strong position as one of the industry's leading independent studios and a supplier of world-class, platform-defining content.

Notably this year, SPE has started to see increased positive impacts from its aggressive M&A strategy to invest in areas of growth. Crunchyroll is an excellent example of this. Two years after its acquisition and merger with Funimation, Crunchyroll has now reached over 12 million subscribers[1]. The studio continues to seek out additional future growth opportunities in targeted areas of strength, including in the fast-growing Indian market, nonfiction television, virtual production, and more. In addition, SPE is focused on serving communities of interest — such as anime fans — by creating and aggregating content to address their passions.

SPE's growth strategy is based on four pillars:

❶ Strong IP

The use of powerful, valuable IP is key to SPE's content strategy. SPE has the ability to draw from its 900+ Sony Pictures' Universe of Marvel characters, such as *Spider-Man*, to extend across multiple platforms and genres. SPE is also expanding its successful film franchises such as *Ghostbusters*, *The Equalizer*, and *Bad Boys*, as well as using beloved Sony IP across both film and television.

Further, SPE is seeking opportunities for location-based entertainment to maximize the value of its IP, and has recently opened new experiential attractions for *Uncharted* in Spain and *Jumanji* in Italy and the U.K. More than 10 new experiences are projected to open over the next three fiscal years.

❷ Strength as an Independent Studio

SPE has distinguished itself from the increasing competition among streaming providers by establishing its core strength in content production. Moreover, while other major studios have shifted their priority to streaming platforms, SPE continues to maintain its commitment to theatrical distribution. This has earned the company both box office success and a strong reputation amongst talent and filmmakers. In addition, the theatrical releases have led directly to streaming success. In fact, most of SPE's FY2022 theatrical releases made it into Netflix's global top 10 ranking.

❸ A Rich Library of Content

SPE produces and holds a variety of content including popular films and TV drama series such as the *Spider-Man* franchise and Ghostbusters franchises, *The Crown*, game shows such as *Jeopardy*! and *Wheel of Fortune*, and a range of various nonfiction series and content for children. Amid expanding demand for premium content, this rich library of content is a source of earnings. Further, in line with the studio's strategic investment strategy, SPE has expanded its television library with the acquisitions of Industrial Media, which focuses on nonfiction content and Bad Wolf, a U.K. TV drama production company.

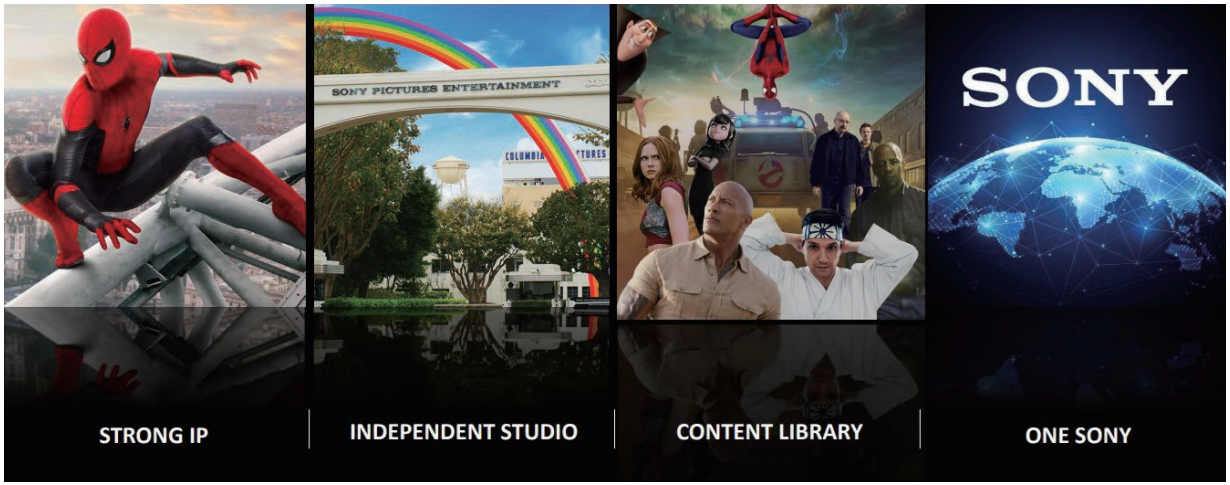
❹ One Sony Collaboration

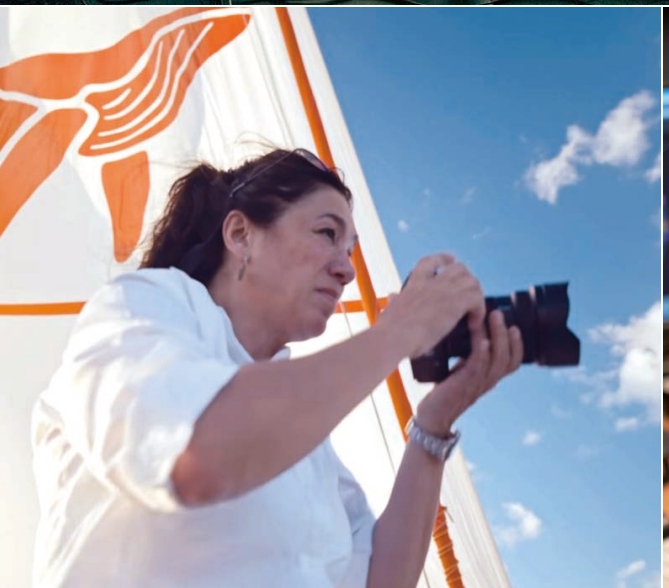
Cross-company collaboration throughout the Sony Group has never been stronger. Following the unprecedented success of *Uncharted*, *The Last of Us*, *Twisted Metal*, and *Gran Turismo*[2], SPE has more than 10 titles in development and production with PlayStation Productions, including *God of War* and *Horizon: Zero Dawn*. Working with the Music segment, SPE is also producing movies and TV programs in close collaboration with affiliated artists.

Sustainability

SPE continues to expand and diversify its talent pipeline by developing and engaging in a broad range of DE&I initiatives and programming. From an environmental perspective, it is also working to achieve Road to Zero, Sony Group's global environmental plan, targets including attaining 100% renewable energy and net-zero emissions status by 2030.

1. As of July 2023
2. Based on release schedule as of August 1, 2023





Entertainment, Technology & Services

Business Vision

Continue to deliver *Kando* and *Anshin* to people and society across the world through the pursuit of technology and new challenges.

Note: ***Anshin*** is a Japanese word with various meanings such as peace of mind, reassurance, reliability and trust.

Value Created

① Enriching people's hearts through the delivery of emotional experiences

Pursue creation of new expressions of image and sound as well as a variety of new services, fully leveraging technology in order to deliver unprecedented entertainment experiences to customers. Create environments where all can enjoy high-quality content through Sony and share *Kando*.

② Helping creators realize their dreamss

Leverage creation technologies to support creators in unleashing their creativity by providing them with the products and services they need to realize their visions. Deliver *Kando* content to people around the world, creating future entertainment together with creators.

③ Contributing to society through the delivery of safety, health and reliability

By utilizing longstanding technologies, contribute to progress in infrastructure and industry in the fields of medical care as well as network communications for a society in which all can enjoy healthy lives filled with *Kando* and *Anshin*.

We will leverage our creation technologies for the pursuit of new entertainment and a future full of *Kando* together with creators.

Kimio Maki
Officer in charge of Entertainment, Technology & Services Business
Representative Director,
President and CEO, Sony Corporation

Understanding the Business Environment

- Continuous changes, with geopolitical risks and strengthened policies pertaining to the environment, human rights, and privacy
- Further uncertainty, such as risk of a global economic recession, and continued expansion of creator economy
- Changes in consumer behavior due to normalization of anxiety resulting from ongoing conflicts and other factors, growing influence of Generation Z and the progression of the aging of society
- Advancing technology to connect real and virtual spaces in real time, accelerating evolution of AI

Market Presence

Achieved No.1 market share[1]
in full-frame interchangeable lens cameras

90 countries and regions, 25 sports
Numbers of countries, regions and sports in which Hawk-Eye's services are used

70%[2]
Hawk-Eye's market share of VAR in major soccer leagues globally

Top Gun: Maverick
Avatar: The Way of Water
Shot on VENICE digital cinema camera

Drivers (Creativity, Technology, and Diversity)

- Recognized and esteemed as a high-value-added premium brand (robust product group to expand creator base)
- Differentiated technology assets and platforms in imaging, audio and network communications fields
- Design and development infrastructure to facilitate provision of creator-oriented products, services, and solutions
- Organizational robustness and flexibility to seamlessly manage development, production, procurement, distribution, and sales among Group companies
- Framework for collaboration with companies both inside and outside of the Group including entertainment businesses

Areas of Focus for Sustainability

- In environmental considerations, promoting powering operations at all business locations and offices with renewable electricity, and in product manufacturing, reducing energy consumption, using recycled materials, and minimizing plastic packaging
- From an accessibility perspective, promoting incorporation of inclusive design into the commercialization process that reflects the needs of users who require accessibility features
- Diversifying of human resources and creating comfortable working environments, including initiatives to eliminate the gender gap mainly in Japan
- Addressing environmental and human rights risks in the context of global supply chains

Strategic Key Points

❶ Profit Axis businesses:
Enhancement of operations and evolution of business models

❷ Growth Axis businesses:
Accelerating business growth and new business creation through technology ET&S has built over decades and through intra-Group collaboration and alliances

Strategically Emphasized Indicators

Medium-term target:

- Operating income ratio of 10%
- Generate over one-third of total ET&S operating income from Growth Axis in FY2025 (target)

1. Annual share amount as of April 2023 (source: Sony) 2. As of May 2023 (source: Sony)

Strategic Direction

Sony Corporation works together with creators to craft *Kando* content while providing creation technologies, products, and services that deliver Kando and enjoyment to people all over the world. The company also pursues new technologies that contribute to a society where people can feel the peace of mind necessary to experience *Kando*.

Presently, the business environment is expected to continue changing rapidly with an increase uncertainty at multiple levels. The ET&S segment's strategic business structure has two axes, a Profit Axis and a Growth Axis, which are continuing to work in unison with employees toward the goal to "Create the Future Together." The segment also aims to strengthen technology fields that will promote medium- to long-term growth, bringing in engineers and researchers from Sony Group Corporation's R&D Center to swiftly achieve social implementation of promising technologies.

In the segment's numerical targets for FY2025, net sales are expected to be around the same level as FY2022, but the business portfolio will be shifted with CAGR of over 20% in the Growth Axis businesses. The segment is aiming for an operating income ratio of 10%, and plans to generate at least one-third of its operating income from the Growth Axis.

❶ Profit Axis Businesses

The ET&S segment aims to increase profitability by implementing the two key measures of enhancing operations and evolving business models. On the production front, the segment intends to conduct operations pursuing further investment efficiencies in the automation of TV production and leverage its expertise in other categories, expanding simultaneous production of multiple models in low-volume high-mix camera lenses. On the sales front, it plans to also promote the automation of sales forecasts through AI. Then, by adding creative solutions to its strengths in capture devices, the segment expects to shift its portfolio to a business model with added recurring revenue in an effort to reduce volatility.

❷ Growth Axis Businesses

Through extensive intra-Group collaboration and alliances, the ET&S segment intends to focus efforts on the following five growth areas.

Virtual Production Business: In addition to offering the VENICE digital cinema camera and the Crystal LED display, ET&S is pioneering new work-flow solutions such as the Virtual Production Tool Set through co-creation with Epic Games and others. In content creation services, which are being used increasingly in motion pictures, TV series, and TV commercials, Sony PCL has already been involved with over 50 productions in Japan, and the segment further augmented the functions of the Virtual Production Studio to increase production performance. Looking ahead, the segment will expand its content creation services globally in collaboration with Group company Pixomondo.

The segment also plans to integrate live and remote production solutions to provide system services that integrate the workflow from pre-production to post-production.

Software Solution Business: With the Alpha™ series of digital interchangeable-lens cameras, the ET&S segment is expanding the Camera Remote SDK (software development kit) business and responding to diverse needs such as drone photography. Beyond cameras, the segment is also opening up functions for different use cases in a range of categories including digital signage, Sound AR, Web3 content creation, and medical use.

Sports Business: The segment aims to develop new sports entertainment that connects the real and virtual worlds through sports data. Sony's sports business is continuing to push boundaries in the industry individually and collaboratively. Hawk-Eye, a leader in sports officiating technologies, is developing services such as semi-automated offside technology and data generation through tracking technology, which in turn is leveraged by the visualization technologies of Beyond Sports, which was acquired in 2022, and Pulselive's digital delivery mechanisms, to produce new content for broadcast and digital platforms and commercialize acquired data. In addition, the segment will work to enhance fan engagement technologies via strengthening collaboration with sports leagues and teams, as well as within the Sony Group.

Life Science Business: ET&S will work to expand the cell research market through the introduction of flow cytometers, as well as to contribute to research on the mechanisms of cancer and immunity, mainly through the provision of cloud solutions in the field of applied cell research. In the drug discovery field, the segment is promoting the development of cell therapy devices, as well as research into antibody-drug conjugates (ADCs) through collaboration with Astellas Pharma Inc.

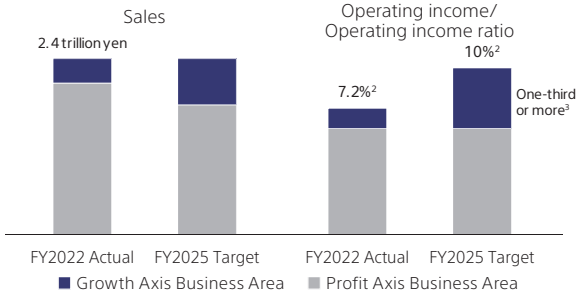
Network Service Business: The NURO optical fiber broadband service has steadily grown, reaching 1.4 million subscribers.[1] ET&S aims to further increase subscribers through continued quality enhancements as well as initiatives in the corporate market. The segment is also promoting the adoption of 10G services, expansion of services bundled with communications, and multifaceted development of partner strategies.

Sustainability

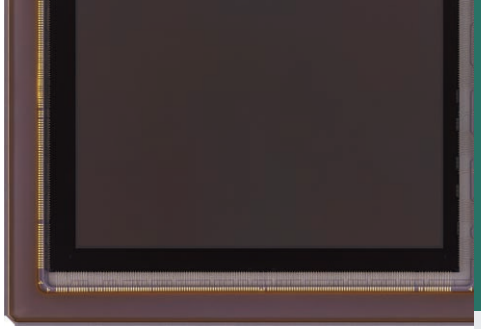
Regarding the environment, the segment aims to achieve its targets of eliminating plastic usage in the packaging of newly developed small products and running all major business locations and offices on renewable electricity during FY2023. Meanwhile, for accessibility, ET&S aims to incorporate inclusive design into the commercialization process by FY2025 and reflect the needs of those who require alternative accessibility features in the product development process. To address DE&I, the segment recognizes that cultivating a corporate culture borne of diversity is the basis for the growth of ET&S. Accordingly, it plans to focus on diversification of human resources and on creating an environment in which employees can thrive, as well as directly working to eliminate the gender gap in Japan, which is an important social priority.

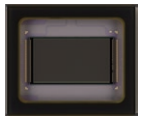
1. As of the end of March 2023

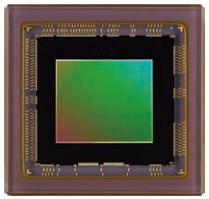
Financial Targets

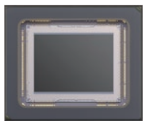


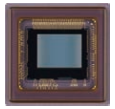
2. Operating income ratio for the whole ET&S segment
3. The operating income of the Growth Axis business area to the whole ET&S segment











AITRIOS

Imaging & Sensing Solutions

Business Vision

Spark people's imaginations and enrich society, by bringing inspiring, intelligent, and reassuring solutions that push the boundaries of image quality and cognition with transcendent imaging and sensing technologies

Value Created

1 Enriching people's hearts through the delivery of emotional experiences

Cutting-edge imaging and sensing technology enables Reality and Real-time in communication and generates comfort and excitement. I&SS creates opportunities for people to enhance their sensitivity to the world and share their excitement and joy.

2 Helping creators realize their dreams

The provision of data obtained through imaging and sensing enables the exploration of new knowledge that overturns conventional wisdom and enhances the discovery of new richness hidden in everyday life, thereby stimulating creativity in various industries and contributing to the creation of new use cases and ecosystems.

3 Contributing to society through the delivery of safety, health and reliability

Functionality that surpasses the capacity of human eyes and cognition aims to expand the scope of human ability through enhancing danger prediction, risk measurement, and efficiency, and thereby contribute to a safer, more secure society that can serve as the basis for people's fulfillment.

We are accelerating our growth, aiming to have our various stakeholders understand and relate to our corporate slogan, “Sense the Wonder,” as well as to co-create new value, spark people’s imaginations, and enrich society.

Terushi Shimizu
Officer in charge of Imaging & Sensing Solutions Business
Representative Director,
President and CEO,
Sony Semiconductor Solutions Corporation

Understanding the Business Environment

- Uncertain business environment, mainly due to geopolitical risk and macro-economic trends
- Industry advancements in smart operations and DX
- Rising importance of advanced recognition technologies and edge computing accompanying evolution of AI and IoT
- Intensifying competition, reorganization of major players, and diversification and expansion of use cases in semiconductor industry
- Spread of new interfaces such as head-mounted displays, based on developments in AR/VR

Market Presence

Image sensors global market share by revenue for FY2022:

51%[1]

FY2021: 44%[1,2]

Drivers (Creativity, Technology, and Diversity)

- High technological capabilities for pixels, signal processing, and algorithms of CMOS image sensors (achieving characteristics such as high sensitivity, wide dynamic range, high-resolution, and high-speed image capture)
- Lineup of sensing devices with varied applications
- Excellent customer and partner base in each application
- High-quality manufacturing technology and production capacity to meet customer demand
- Opportunities for collaboration and synergy with Sony Group businesses

Areas of Focus for Sustainability

- Reducing environmental footprint through such means as reducing greenhouse gas emissions and recycling natural resources in semiconductor manufacturing processes
- Contributing to the environment through the development of environmentally conscious products and technologies
- Creating an environment that encourages an aspirational spirit for people with diverse backgrounds and perspectives
- Acquiring and developing talent through collaboration with governments, academia, and other industries
- Addressing environmental and human rights risks in the context of global supply chains

Strategic Key Points

❶ Maintain number one position in imaging
(Continue medium- to long-term investments and development/ introduction of high-value-added technologies)

❷ Achieve number one position in sensing
(Develop new use cases and create growth opportunities)

❸ Strengthen integration of hardware and software businesses
(Increase value provided through software-hardware integration)

Strategically Emphasized Indicators

- Global image sensor market share by revenue
(FY2025 target: 60%)
- ROIC
(Medium- to long-term target: 20–25%)

1. As of May 31, 2023 (excluding fingerprint sensors) (source: Sony)
2. Updated from FY2021 result of 43% as of 2022 Business Segment Briefings

Strategic Direction

Image sensors are key creation technology devices, essential for creating *Kando* through images and video, and for recognizing and analyzing user motivations.

The image sensor market environment is expected to grow over the medium- to long-term, but in FY2022 it faltered due to a slump in the smartphone market. On the other hand, cameras have become a differentiating factor in the high-end smartphone market, where increrasing need for larger sensors with higher image quality and performance has enabled the segment to boost its sales and market share. Stable growth is also expected in the automotive, industrial infrastructure, and social infrastructure areas over the medium- to long-term. However, as the current business environment remains as challenging as ever, it is essential to conduct careful business management based on demand trends.

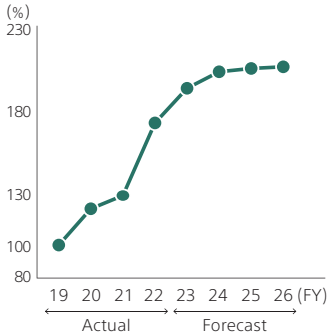
In recognition of this, I&SS is working to enhance its image sensor technology capabilities. Over the medium- to long-term, it aims to achieve growth in both hardware and software, targeting a 60% share of the market by revenue in FY2025. In hardware, I&SS aims to maintain the number one position in imaging, and is working to become number one in sensing, both in the CMOS image sensor area.

The segment expects to make cumulative capital investments for FY2021-2023 of around 900 billion yen. Its policy is to continue investing over the medium- to long-term while keeping an eye on changes in the market environment. Moreover, I&SS is also making preparations for the long-term, having made the decision to acquire new land in Koshi City, Kumamoto Prefecture. The segment is getting ready to securely grasp growth opportunities when the market recovers, while also keeping future uncertainty in mind.

❶ Maintain Number One Position in Imaging

In the area of imaging, I&SS is focused on advancing its mobile imaging technologies. The segment intends to continue to lead the trend toward larger sensors, while also bringing to market the world's first[1] 2-layer transistor pixel technology, announced at the end of 2021. Meanwhile, Sony Semiconductor Solutions (SSS) has superior technologies for basic pixel characteristics such as resolution, sensitivity, and dynamic range, as well as a host of different sensor technologies that make it possible to add information of different dimensions to 2D image information, including depth, time, and spectrum. By leveraging combined capabilities that other companies do not possess, the company aims to achieve an unrivaled number one position.

Sensor Size Trend in the Image Sensor Market[2] (only for high-end model)

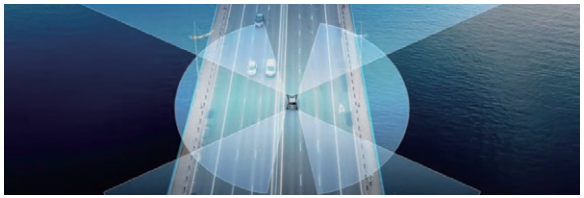


2. Where 100% represents average chip area in FY2019 (source: Sony)

1. As of announcement on December 16, 2021

❷ Achieve Number One Position in Sensing

Another focus area is the automotive business, in which I&SS is enhancing engagement with car manufacturers and other partners worldwide, while accelerating technology development. Business negotiations have progressed steadily, and by FY2025 the segment aims to have deals with 85% of the world's top 20 car manufacturers as well as a market share of 39% by revenue. The segment is also promoting the use of its sensors to assist with tasks such as vehicle parking, aiming to provide added value through software as well as hardware. In the industrial infrastructure area, I&SS intends to comprehensively leverage its wide variety of sensors to expand their use cases and contribute to solutions for social issues such as labor savings and automation. We are working to comply with standards such as functional safety and are strategically promoting cooperation within the industry and standardization to accelerate the spread of technologies and their social implementation.

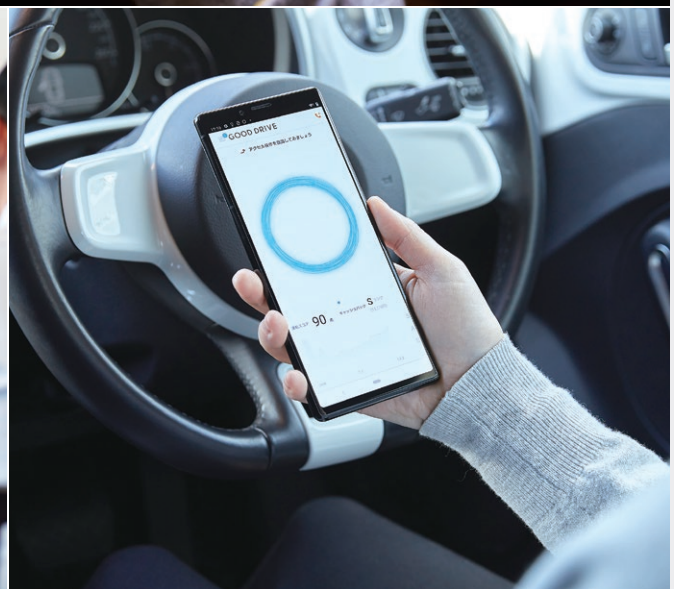


❸ Strengthen Integration of Hardware and Software Businesses

I&SS is working to increase the added value of its hardware by combining it with software. With AITRIOS™, an edge AI sensing platform launched at the end of 2021, I&SS is promoting the use of unique imaging sensors such as IMX500, the world's first intelligent vision sensor with AI processing functionality. The segment provides functions and development environments to support partners making use of the platform, including developing smart city projects led by local authorities and solutions to enhance efficiency in retail and logistics warehouses. As part of I&SS's work to build an ecosystem for AITRIOS™, in April 2023 the segment announced a minority investment in U.K. company Raspberry Pi Ltd., which has a vast community of developers in the single-board computer market.

Sustainability

The I&SS segment has significant needs for natural resources and energy due to the nature of its business, and therefore places strong emphasis on environmental initiatives as a top priority. Recognizing this, the segment has formulated a "Sustainability Compass" as its own ESG policy, which sets out its vision for society looking ahead to 2030 as well as key issues to be addressed. Moreover, the segment plans to promote a variety of initiatives, working in collaboration within the Sony Group on the dual aspects of responsibility and contribution. Another key management priority for realizing sustainable growth is securing and retaining human resources. In addition to collaborating with governments, academia, and other industries, and participating in initiatives to develop human resources to support the semiconductor industry, the segment is continuing its efforts to ensure that the SSS Group is recognized as an attractive company for job seekers, offering rich diversity and opportunities for growth.



Financial Services

Business Vision

To be a financial group that helps each and every person achieve their dreams and peace of mind, by staying close to people and using the power of technology to build a society in which people feel uniquely enriched

Value Created

③ Contributing to society through the delivery of safety, health and reliability

Utilizing a wide variety of information, Sony Financial Group (SFG) provides advice tailored to each and every customer's life plan. Providing products and services suited to a longevity society, SFG offers safety and peace of mind by facilitating wealth-building and contributing to economic security. SFG employs technology to create new insurance products and services to increase safety and peace of mind in society. Additionally, it aims to make life more convenient by improving access to financial services and promoting innovation.

As a comprehensive financial group with businesses including life and non-life insurance, banking, and nursing care, SFG offers financial services powered by technology to stay close to each and every customer. We strive to enable them to achieve their dreams and peace of mind.

Toshihide Endo
President and CEO, Representative Director, Sony Financial Group Inc.

Understanding the Business Environment

- Population decline, arrival of the era of 100-year lifespan and changes in household structure
- Sharp fluctuations in interest rates and exchange rates, and greater market volatility
- Changes in financial regulations, operations based strictly on fiduciary duty
- Advent of data economy, widespread adoption of AI, and advancement of autonomous driving technologies
- Changes in business models brought about by players entering financial industry from other industries
- Lifestyle changes in response to manifestation of infectious disease risk
- Geopolitical risks such as the situation in Ukraine

Market Presence

Sony Life policy amount in force:
61.1 trillion yen[1]
As of March 31, 2022: 57.7 trillion yen
As of March 31, 2021: 53.6 trillion yen

Sony Assurance direct premiums written:
146.6 billion yen[2]
FY2021: 141.7 billion yen
FY2020: 130.4 billion yen

Sony Bank mortgage loan balance:
3.0 trillion yen[3]
As of March 31, 2022: 2.6 trillion yen
As of March 31, 2021: 2.4 trillion yen

Drivers (Creativity, Technology, and Diversity)

- Direct communication with customers to offer products and services tailored to each individual customer
- Unique position in the domestic financial market with a business model that utilizes products and services with high added value and differentiated strengths
- Business infrastructure that can provide high-quality products and services at reasonable prices
- Utilization of technology through coordination with other Sony Group companies
- Corporate culture of relentlessly pursuing customer focus and originality, and respecting diversity

Areas of Focus for Sustainability

- Responding to climate change problems, mainly focusing on reduction of greenhouse-gas emissions
- Strengthening investment and asset management system according to the ESG investment policy of Sony Financial Group
- Attracting and cultivating talented personnel with highly specialized knowledge through training, and promote DE&I, such as through increasing the percentage of management positions held by women and improving accessibility
- Acting ethically and with integrity, complying with laws and regulations, and ensure healthy and appropriate management with the public nature of financial services in mind

Strategic Key Points

❶ Strengthen core/unique competitive advantages

❷ Alter profit structure to withstand low interest rates
(Respond resiliently to changing market conditions)

❸ Further evolve customer-centric management

❹ Strengthen competitive edge through technology

❺ Maximize Group synergies

Strategically Emphasized Indicators

- Operating income
- ROE

1. Total of in-force individual insurance and individual annuities as of March 31, 2023 2. FY2022 3. As of March 31, 2023

Strategic Direction

Since its inception, the Sony Group's Financial Services business has pursued a business model unlike those of traditional financial institutions, working to provide high-value-added, differentiated products and services that meet the needs of each and every customer.

The key principle of the latest mid-range plan (FY2021-FY2023) is to maximize corporate value through self-transformation. With this mindset, SFG will aim to strengthen its Group management capabilities and work to achieve sustainable, profitable growth on a Group-wide basis. To realize this, on top of the following five strategic pillars, two priority measures, namely "advance sustainability" and "thoroughly enhance Group governance" were added.

❶ Strengthen Core/Unique Competitive Advantages

Sony Life's advantage is its Lifeplanner sales specialists and their peerless customer contacts and relationships. To improve their consulting abilities, it is evolving consulting tools, analyzing and applying the collected data, and further strengthening corporate sales. As a result, Sony Life has seen a substantial increase in productivity per individual Lifeplanner sales specialist, and with the addition of strong sales of the new variable individual annuity SOVANI[1], the new policy amount and annualized premiums from new policies reached record highs. Sony Assurance saw a steady increase in direct premiums written due to progress on promoting the sophistication of its direct marketing. The balance of Sony Bank's core mortgage loans increased steadily, and the foreign currency business also recorded brisk gains on foreign exchange trading.

❷ Alter Profit Structure to Withstand Low Interest Rates (Respond resiliently to changing market conditions)

To increase SFG's resilience against external environmental changes in the financial services business and strengthen its profit structure, Sony Life has been taking steps including improving its product mix, reducing its operational cost ratio, and increasing the sophistication of its asset management.

❸ Further Evolve Customer-centric Management

The Sony Group's Financial Services operating companies have consistently been highly rated in a variety of customer satisfaction surveys. To further evolve its customer-centric management, SFG is working to advance and improve the customer experience by gathering, and taking under consideration, detailed feedback on customer satisfaction at each touch point through such tools as the useful Net Promoter Score (NPS®[2]) index for measuring customer loyalty.

❹ Strengthen Competitive Edge through Technology

Efforts to strengthen SFG's competitive edge through technology include Sony Life's release in October 2022 of the life plan analysis system GLiP, utilizing the latest digital technology, which has now been experienced by many customers. Sony Assurance offers the GOOD DRIVE smartphone app, which utilizes AI to identify driving behavior, while Sony Bank has been introducing and using telepresence to offer enhanced remote consultation services. Looking ahead, SFG aims to utilize data across the Group and to evolve its business model, strengthening technological collaboration with the Sony Group and exploring the latest technologies.

❺ Maximize Group Synergies

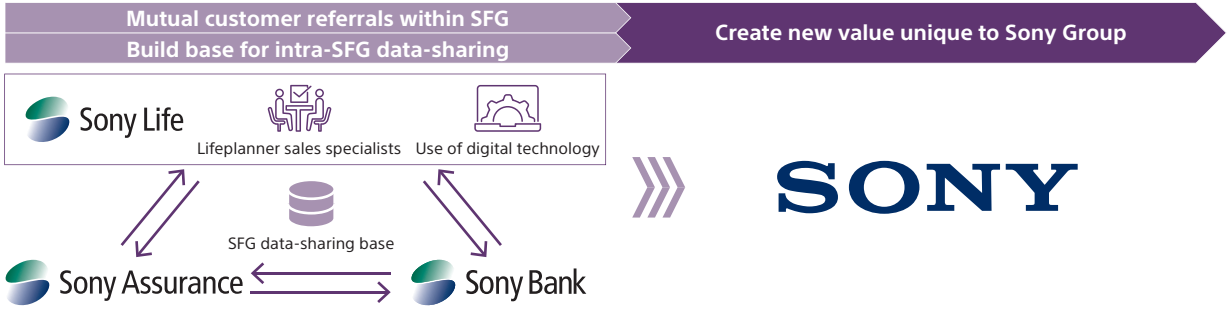
SFG has made some progress on cross-selling through mutual customer referrals among its Group companies, mainly through the Lifeplanner sales specialists. Moving forward, SFG plans to strengthen Group-wide systems and structures to promote further progress in this regard. An initiative to build a base for intra-SFG sharing of data, both acquired in person by Lifeplanner sales specialists and electronically through online customer portals of Group companies, is proceeding as planned, aiming for release during the period of the current mid-range plan.

In the future, SFG plans to create distinctive new value leveraging the characteristics of the Sony Group's Financial Services business through collaboration with other Sony Group businesses.

Advance Sustainability and Thoroughly Enhance Group Governance

In efforts to advance sustainability, the Sustainability Committee, set up in April 2022 in SFG, conducts deliberations on issues and risks regarding the Group's overall sustainability promotion, including climate change response, ESG investment promotion, and the creation of DE&I-conscious workplace environments. SFG has been strengthening the role and functions of its holding company for thoroughly enhancing Group governance based on an incident involving an illegal money transfer that occurred at an overseas subsidiary of Sony Life in 2021. In addition, SFG is developing a system to ensure that the Group's internal controls function effectively and practically, and will continue working to ensure compliance and foster a risk-conscious culture from the standpoint of organizational climate.

1. A pet-name for variable individual annuity (non-disclosure type) 22 (no dividend) and single-premium variable individual annuity (non-disclosure type) 22 (no dividend).
2. NPS® is a registered trademark of Bain & Company, Fred Reichheld, and NICE Systems, Inc.



Wendy Becker
Chair of the Compensation Committee

Yoshihiko Hatanaka
Chairman of the Board
Chair of the Nominating Committee

Toshiko Oka
Chair of the Audit Committee

Joseph A. Kraft Jr.
Director in charge of Information Security

Facing a tumultuous geopolitical and business environment, in which Sony itself continues to transform, Yoshihiko Hatanaka, newly appointed as Chairman of the Board in June 2023, along with several Committee Chairs and the Director in charge of information security, discussed initiatives by the Board and Committees, as well as future challenges.

Hatanaka: In FY2022, Sony achieved new record highs in both sales and operating income. In addition to deliberating growth strategies in Sony's material businesses and strategic investments, the Board discussions covered strengthening management structure, including the appointment of Hiroki Totoki as President, and issues concerning the Group business portfolio, like considering the partial spinoff of the Financial Services business. We also raised a wide range of social and technological changes with the potential to have significant impact on Sony's management, such as sustainability, geopolitical risks and AI. On the operations side, opportunities to have conversations in person gradually increased. In September, we visited the Kumamoto Technology Center, where we toured the production site for image sensors and had a talkback session with frontline management. At the strategy workshop in December, all Directors also met face-to-face and discussed in person with the management teams of corporate and each major business about strategy and challenges from a medium- to long-term perspective for two days.

To begin, I want to ask you all to look back on these activities, and then share your thoughts on future initiatives.

Becker: FY2022 has been a very exciting year at Sony, with the rapid advancement of technologies such as the metaverse and generative AI bringing about major changes in our society, lifestyles and creative fields. We see these as opportunities for Sony to leverage its technologies and diverse businesses to expand its scope for value creation. We are also navigating challenges to Sony's businesses posed by geopolitical risks and an uncertain global economic outlook. Here too, however, we recognize opportunity as well as risk. Last year, for example, we highlighted Sony's creative activities in the growth market of India, confirming our expectations for new value creation by strengthening our connection with diverse communities. Going forward, we will continue to aim for highly effective oversight to increase long-term corporate value.

Oka: To add to Ms. Becker's point, I think Sony Group took a new step forward in FY2022 with the important personnel decision of Hiroki Totoki's appointment as President, COO and CFO. On the topic of large-scale M&As and capital investments, the Board made strategic investment decisions after considering a variety of different angles and repeated discussions. As for the Financial Services business, in anticipating use of the partial spin-off system recognized for a limited time under the annual tax revision plan (Japan) in FY2023, I think we left the impression that Sony is proactively utilizing innovative management tools.

Kraft: I think the visit to the Kumamoto Technology Center in September was a good opportunity for the outside Directors. CMOS image sensors are a vital device supporting creators crafting *Kando*. Management taught us about the importance of keeping investment robust to maintain the technological advantage and competitiveness of the sensor business, where these products, often referred to as "electronic eyes," are used in a wide range of fields. Amidst the tremendous changes in the world situation in recent years, in addition to more intense competition, the semiconductor business is facing other challenges, including issues with the supply chain, export regulations, information security, and human resource retention and training. Together with the other Directors, I

want to support the management team to enable Sony to overcome these challenges and grow the business.

Hatanaka: Thank you, everyone. The environment surrounding Sony is changing every day. As Directors, we need to be more sensitive to changes in social conditions and technologies, and look at Sony's management from a broader perspective.

Now, let's talk about activities of the Committees. Ms. Oka, I think the Audit Committee is gradually expanding the themes it handles, in addition to the statutory account audits it has traditionally performed. Could you please elaborate on this?

Oka: At the Audit Committee, through reports from and conversations with the management side and the independent auditor, we have verified the latest domestic and international trends and the status of internal responses to critical themes, such as climate change and other non-financial disclosures as well as risk management for information security and other areas. Along with continuing to monitor these vital themes going forward, we intend to deepen both coordination and conversations with managements, the head of internal auditing, and the independent auditor, to prepare and maintain systems for internal control and audits in order to ensure appropriate levels of control and audit quality across Sony's wide-ranging business domains, including at its subsidiaries. Where financial information is concerned, we are also monitoring the impact that application of a new standard, IFRS 17, will have on the life insurance business.

Hatanaka: Thank you, Ms. Oka. I believe threats in the cyber domain are growing on a global scale. Mr. Kraft, could you please let us know your thoughts on Sony's information security activities?

Kraft: Looking back at 2022, issues regarding information security, and the accountability surrounding it, were hotter topics than ever before. Without a robust information security structure, Sony's Purpose to "Fill the world with emotion, through the power of creativity and technology" can simply not be realized. Because challenges stemming from concerns such as privacy, AI ethics, reporting/disclosure obligations, and data localization are becoming more complex, and related regulations are becoming stronger, continuous safeguards and improved responsiveness are further required. Sony's information security team is sincerely tackling these challenges, and as a Director I want to support these endeavors.

Hatanaka: In the same vein as the challenges in the information security space, the competition to secure and retain skilled talent, as well as management, in areas such as AI, semiconductors and content creation, is heating up worldwide. Ms. Becker, as the Chair of the Compensation Committee, what are your thoughts on this matter? Also, you had a dialogue with investors on behalf of Sony's Board of Directors last year. What were your impressions from that meeting?

Becker: I believe that dialogue with diverse stakeholders is extremely important, and so am pleased at the open, positive relations we have with our shareholders and other stakeholders. Our dialogue with investors covered a wide range of topics, including corporate governance, Board diversity, and executive compensation. Through these conversations, I sensed a high level of expectation and interest from our investors regarding the oversight function and effectiveness of the Board in increasing shareholder value, as well as in managing talent.

In an increasingly competitive market for attracting and retaining talent, I believe that stock-based compensation is both standard and highly effective in many of our geographic markets and business segments. In FY2022, the Compensation Committee resolved to introduce a new equity compensation plan using restricted stock units (RSUs), seeking to both attract and retain talented individuals as well as to improve business performance. Through the use of this plan, we aim to further link compensation to business performance and shareholder value to support the medium- to long-term growth of the Group and its businesses.

Hatanaka: Last is the Nominating Committee. Given the current management environment, persons capable of steering Sony forward are critical. As for strengthening of the management structure, which I mentioned at the beginning, the Nominating Committee also conducted comprehensive examination and discussion, including having Committee members interview Mr. Totoki. In addition, based on the principle that we should prioritize appointing outside Directors who have experience serving as CEO of a global company and/or knowledge regarding technology/entertainment spaces, the Committee newly nominated two candidates for Director, Dr. Neil Hunt and Mr. William Morrow, both of whom were approved by shareholders. In FY2023, aligning with the management team, we would like to work on researching candidates for Director to maintain the diversity and continuity of the Board, and reviewing and enhancing the management succession plan.

Hatanaka: Both Mr. Shuzo Sumi, who provided such excellent leadership as the Chairman of the Board, and Mr. Tim Schaaff, who contributed to a wide range of Board activities, including information security, retired in June 2023. I am grateful to both of them for their contributions over the years. Simultaneously, we newly welcomed Dr. Hunt and Mr. Morrow as Directors. Going forward, we, as the Sony Board, will strive to continue contributing to Sony's sustainable growth and improvement of corporate value.

Thank you for your continued support.

Board of Directors (As of July 31, 2023)

1 Kenichiro Yoshida

2 Hiroki Totoki

3 Yoshihiko Hatanaka

4 Toshiko Oka

5 Sakie Akiyama

6 Wendy Becker

7 Keiko Kishigami

8 Joseph A. Kraft Jr.

9 Neil Hunt

10 William Morrow

Policy Regarding Composition of the Board

With a view toward securing effective oversight by the Board, the Nominating Committee reviews and selects candidates for the Board with the aim of ensuring that a substantial part of the Board is comprised of qualified outside Directors that satisfy the independence requirements established by Sony and by law. The Nominating Committee selects candidates that it views as well-suited to be Directors in light of the Board's purpose of enhancing Sony's corporate value. The Nominating Committee broadly considers various relevant factors, including a candidate's capabilities (such as work and other experience, achievements and expertise), availability, and independence, as well as diversity (including gender and internationality) in the boardroom, the appropriate size of the Board, and the knowledge, experience and talent the role requires.

Under the Board Charter, Sony Group Corporation also requires that the Board consist of at least 8, but no more than 14, Directors. In addition, since 2005 the majority of the members of the Board have been outside Directors. As of July 31, 2023, Chairman of the Board and all members of the Audit Committee, the Nominating Committee and the Compensation Committee are outside Directors.

As of July 31, 2023

Name	Position / Principal Activities Outside Sony	Years as Director	Committee Membership/Assignment				Experience and Expertise						
			Audit Committee Member	Nominating Committee Member	Compensation Committee Member	Director in Charge of Information Security	CEO or Equivalent Position of Business Enterprise	Global Business	Diversity (Gender/ Nationality)	Engineering/ IT/ Technology	Sony Group Business Segment/ Relevant Industry	Finance/ Accounting	Risk Management/ Government Relations
1 Kenichiro Yoshida	Representative Corporate Executive Officer, Chairman and Chief Executive Officer	9	—				●	●		●	●[2]	●	●
2 Hiroki Totoki	Representative Corporate Executive Officer, President, Chief Operating Officer and Chief Financial Officer	4	—				●	●		●	●[2]	●	●
3 Yoshihiko Hatanaka[1] (Chairman of the Board)	Outside Director, Shiseido Company, Limited Former Representative Director, Chairman of the Board, Astellas Pharma Inc.	4		Chair			●	●			● (Healthcare)	●	●
4 Toshiko Oka[1]	Professor, Professional Graduate School, Graduate School of Global Business, Meiji University	5	Chair	■				●	●			●	●
5 Sakie Akiyama[1]	Founder, Saki Corporation	4			■		●	●	●	●	● (IT/Devices)		
6 Wendy Becker[1]	Chairperson of the Board, Logitech International S.A. Non-Executive Director, Oxford Nanopore Technologies plc	4		■	Chair		●	●	●		● (Tele-communication Service/ Consumer Goods)		●
7 Keiko Kishigami[1]	Certified Public Accountant in Japan Board Member, WWF Japan	3	■					●	●			●	●
8 Joseph A. Kraft Jr.[1]	CEO, Rorschach Advisory Inc.	3	■			■		●	●		● (Financials)	●	●
9 Neil Hunt[1]	Non-Executive Director, Roku, Inc. Former Chief Product Officer, Netflix, Inc.	Newly appointed				■		●	●	●	● (Enter-tainment/ IT/ Software)		●
10 William Morrow[1]	CEO, DIRECTV Entertainment Holdings LLC	Newly appointed			■		●	●	●	●	● (Tele-communication Service/ Entertainment)	●	●

1. An outside Director who satisfies the requirements under Article 2, Item 15 of the Companies Act of Japan
2. Executive Directors Kenichiro Yoshida and Hiroki Totoki have comprehensive knowledge of each business of Sony and play important roles in developing and executing strategies of overall management of Sony.

Governance at Sony

Historically, Sony has consistently focused on effective group management by evolving its governance while diversifying its businesses, the regions it serves and its capital procurement methods. Sony therefore sees corporate governance as the basis for management that improves corporate value over the medium- to long-term as highly important, not simply as a response to legal requirements or social trends.

To realize Sony's Purpose and achieve sustainable corporate growth, Sony continuously strives to operate the Sony Group effectively by maintaining objective, transparent and sound management and realizing timely and efficient decision-making.

Sony clearly separates its management and oversight functions, and enhances the independence of the Board of Directors ("the Board") and its functions as an oversight organization to ensure objective, transparent and sound management. In addition, Sony enables timely and efficient decision-making by largely delegating authority for conducting Sony's business operations from the Board to the management team.

An outstanding governance system is becoming more important than ever for earning greater trust from stakeholders. Sony will therefore work to further enhance its governance system.

Healthy Tension is Key to Governance

Sony emphasizes healthy tension between the Board and the management team to ensure highly effective governance, and accordingly, it clearly separates the oversight function of the Board and the management function of the management team.

The Board is responsible for oversight. While utilizing each Committee, the Board primarily reviews and approves Sony's basic management policies, confirms their progress, and encourages the management team to take corrective action as necessary, including through the exercise of its authority over personnel matters. At the same time, the management team is responsible for outcomes of business operations and assumes accountability to the Board.
To ensure that these systems operate effectively, Sony believes that a majority of the Board should be comprised of independent outside Directors, including the Chairman of the Board and the Vice Chairman of the Board.

Sony's Governance System (Monitoring Model): Separation of Management and Oversight

Enhancing the Independence and Oversight Functions of the Board

- Adopted the "Company with Three Committees" system in 2003
- 8 out of 10 members of the Board are outside Directors
- Appointed an outside Director as the chairman of the Board and the Vice Chairman of the Board
- All members of the Audit Committee, the Nominating Committee and the Compensation Committee are outside Directors
- Require additional independence requirements and limit re-election for outside Directors*

*In principle, re-election is limited to five times. Thereafter, re-election requires a resolution of the Nominating Committee and the consent of all of the Directors. Even with the consent of all of the Directors, in no event may any outside Director be reelected more than eight times.

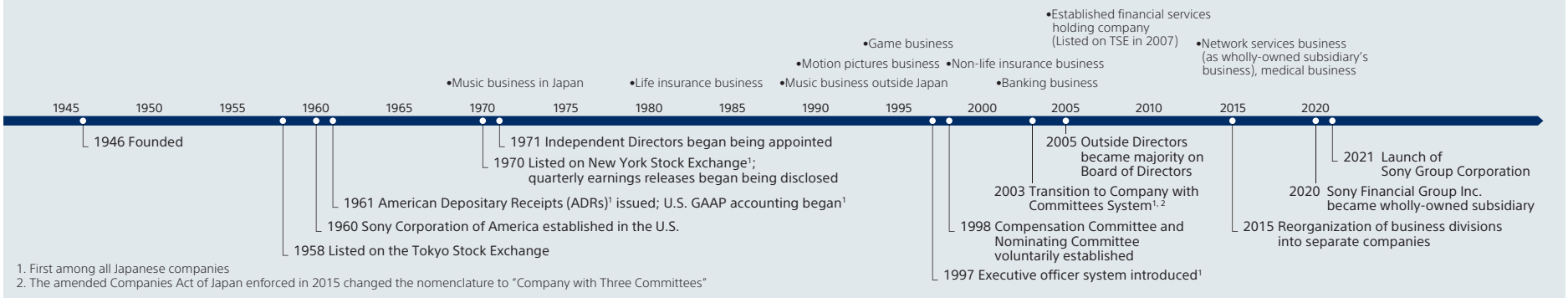
Delegation of Authority

The Board has the authority to determine basic management policy, and ensures timely decision-making by largely delegating its authority for business operations to the management team.

Percentage of Outside Directors

- Board of Directors: 80%
- Nominating Committee: 100%
- Audit Committee: 100%
- Compensation Committee: 100%

Evolution of Governance along with Diversification of Businesses


•Established financial services holding company (Listed on TSE in 2007)
•Network services business (as wholly-owned subsidiary's business), medical business
•Game business
•Motion pictures business
•Non-life insurance business
•Music business in Japan
•Life insurance business
•Music business outside Japan
•Banking business
1945
1950
1955
1960
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1975
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1985
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1995
2000
2005
2010
2015
2020
1946 Founded
1958 Listed on the Tokyo Stock Exchange
1960 Sony Corporation of America established in the U.S.
1961 American Depositary Receipts (ADRs)[1] issued; U.S. GAAP accounting began[1]
1970 Listed on New York Stock Exchange[1]; quarterly earnings releases began being disclosed
1971 Independent Directors began being appointed
1997 Executive officer system introduced[1]
1998 Compensation Committee and Nominating Committee voluntarily established
2003 Transition to Company with Committees System[1, 2]
2005 Outside Directors became majority on Board of Directors
2015 Reorganization of business divisions into separate companies
2020 Sony Financial Group Inc. became wholly-owned subsidiary
2021 Launch of Sony Group Corporation

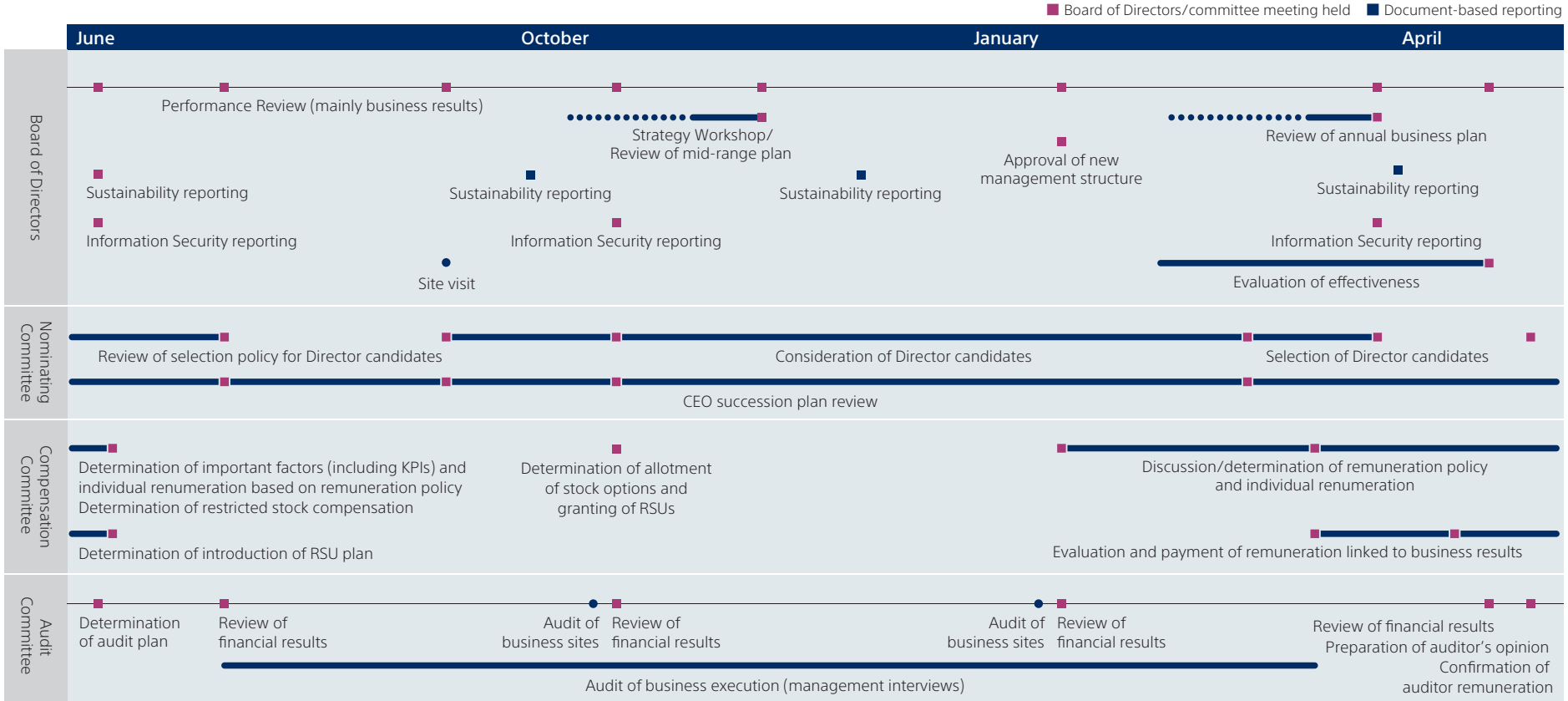
1. First among all Japanese companies
2. The amended Companies Act of Japan enforced in 2015 changed the nomenclature to "Company with Three Committees"

Roles and Annual Schedule of the Board and Committees

The Board determines Sony's fundamental management policies, and oversees the management of Sony's business operations. As part of this role, the Board has the authority to (i) appoint and dismiss statutory committee members, and (ii) appoint/dismiss and/or conduct oversight of appointment/dismissal of Senior Executives. In addition, in order to improve Directors' understanding of Sony businesses so that the Board, a majority of which is comprised of independent outside Directors, can effectively perform its oversight role, the Board has conducted events such as two-day workshops and site visits. The Board also periodically receives reports on and discusses sustainability and Information Security matters, which are more focused on recently, and oversees such matters.

The Nominating Committee determines the content of proposals regarding the appointment/dismissal of Directors to be submitted for approval at the General Meeting of Shareholders, and evaluates management succession plans for the CEO and other executives. The Compensation Committee sets policy on the content of compensation for Directors, Corporate Executive Officers and other officers, and also determines or oversees the determination of their individual compensation in accordance with such policy. The Audit Committee monitors the performance of duties by Directors and Corporate Executive Officers, and oversees the independent auditor.

Annual Activity Cycle of the Board and Committees (FY2022)



Continuously Improving Governance

Sony's governance is a continuously evolving management system. Sony has conducted evaluations of the effectiveness of the Board and each Committee ("Evaluation") annually since 2015. An outside counsel conducted the Evaluation in respect of the Board and Committee activities in the fiscal year ended March 31, 2023, and reported that the Board is established and operated in a manner sufficient to be highly appreciated, based on various points, including the self-evaluation results of the Directors and comparison with benchmarked companies in Japan, the United States and Europe. Following discussion and analysis based on the Evaluation, the Board affirmed that the Board and each Committee were functioning effectively.

Major efforts to improve effectiveness of Sony's Board of Directors and Committees for the fiscal year ended March 31, 2023 and operation policy and priority matters of Sony's Board of Directors and Committees for the fiscal year ending March 31, 2024 based on the result of the Evaluation are as follows. Sony will continuously take appropriate actions to further enhance functions of the Board and the Committees in response to the results of the Evaluation, as well as various comments and opinions given by Directors and the outside counsel during the Evaluation process.

Major Efforts to Improve Effectiveness of Sony's Board of Directors and Committees (FY2022)

- Continuously made periodic reports to the Board on sustainability related matters (Environment and Social)
- Risk Management - enhanced Board's supervision over risks regarding geopolitics and information security
- Conducted deeper discussions about Sony's strategies on growth areas and new businesses (gaming, metaverse, and mobility)
- Promoted and enhanced engagement with investors

Operation Policy and Priority Matters of Sony's Board of Directors and Committees (FY2023)

- Formulate the next Mid-Range Plan (FY2024-FY2026)
- Intensively review and effectively supervise over the following items:
  - Sustainability (including climate change, human rights, DE&I, and accessibility)
  - Risk management (including information security and geopolitical risks)
  - AI and group collaboration through IP collaboration
- Selection of Director candidates to ensure diversity/ continuity of the Board of Directors
- Further consideration of the use of stock-based compensation and strengthening remuneration governance measures
- Audit Committee to ensure effective cooperation with management side and appropriate relationships with the accounting auditor and internal audit department

Promoting Dialogue with Shareholders/ Investors

To foster trust with shareholders and investors as well as maximize corporate value, under the leadership of the CFO, Sony promotes constructive dialogue with shareholders and investors, primarily conducted by SVP and the department in charge of investor relations.

In fiscal year 2022, Sony conducted dialogues with a wide range of Japanese and non-Japanese institutional investors, such as individual interviews and meetings with SVP and the department in charge of investor relations, as well as the Corporate Strategy Meeting, the Business Segment Meeting, the Sustainability Briefing, the R&D Strategy Briefing, and so forth, all conducted by the management team, including CEO, CFO, CTO and the head of each business segment, as well as interviews and/or meetings held after such events. There were also opportunities for individual dialogue between some outside Directors and institutional investors. The interests of investors at these dialogues cover an overview of financial results; the business environment, competitive advantages and growth potential of the entertainment and image sensor businesses; initiatives in new areas; policy regarding the business portfolio; progress in the Mid-Range Plan and capital allocation; policy regarding shareholder returns; and sustainability initiatives. The interests/opinions of investors obtained through such dialogues are fed back to the Board and management team to enhance Sony's disclosure and future dialogues.

In addition to dialogues with institutional investors, Sony conducted multiple briefings for individual investors by SVP in charge of investor relations in order to encourage active dialogue with individual investors.

Ensuring Transparent Compensation that Incentivizes Sound Management

Sony's Compensation Committee sets the policy on the content of individual compensation for Directors, Senior Executives and other officers, and determines, or oversees the determination of, the amount and content of individual compensation of Directors and Senior Executives in accordance with the policy.

Basic Policy regarding Director Remuneration

The basic policy for Director remuneration is to improve the supervisory function for business operations based on research regarding remuneration of Directors of other companies. Based on this policy, Director remuneration consists of (1) Fixed remuneration and (2) Stock-based compensation (restricted stocks or restricted stock units). Director remuneration does not include remuneration linked to business results on a short-term basis.

Basic Policy regarding Senior Executive Remuneration

Senior Executives are key members of management responsible for executing operations of Sony or its business, and Senior Executive remuneration provides effective incentives to improve business results on a short-, medium-, and long-term basis in order to further improve corporate performance as a whole. The amount of each component and its percentage of total compensation are determined in accordance with the individual's level of responsibility, emphasizing linking the remuneration to business results and shareholder value[1]. Based on this policy, Senior Executive remuneration consists of (1) Fixed remuneration, (2) Remuneration linked to business results, (3) Stock-based

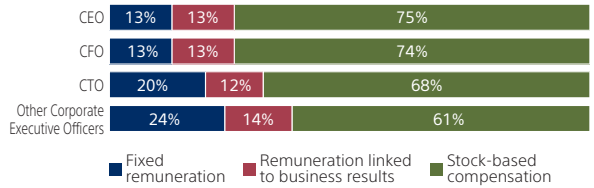
compensation (Stock acquisition rights, and restricted stocks or restricted stock units), and (4) Phantom restricted stock plan. In order to ensure that remuneration linked to business results effectively incentivizes Senior Executives to achieve financial targets for the medium- to long-term and financial targets for the fiscal year for which compensation will be paid, the amount of such remuneration shall be determined based on the level of achievement of the two metrics below and can fluctuate, in principle, from 0% to 200% of the standard payment amount.

(i) Certain key performance indicators linked to the consolidated or individual business results of Sony during the fiscal year, such as Adjusted EBITDA and Adjusted EPS (net income attributable to Sony Group Corporation's stockholders per share), which are selected based on the areas for which each Senior Executive is responsible.

(ii) Achievement of the Group Sustainability Evaluation.

Group Sustainability involves efforts by executives to enhance the medium- to long-term corporate value and sustainable growth of the Sony Group as a whole, not being limited to their respective businesses and organizations, and includes management succession and investment in human capital, sustainability initiatives related to social value creation and ESG, value creation through collaborations among businesses of Sony, and engagement indicators based on employee surveys.

The Compensation Committee approved the introduction of the restricted stock units on June 30, 2022 and units have been allotted to certain officers and employees of Sony Group Companies since fiscal year 2022. By further utilizing the stock-based compensation, including the restricted stock units, Sony aims to increase the willingness of executives/employees to contribute to the enhancement of Sony's corporate value, and thereby to increase business results of Sony.



1. Reference: Executive Compensation Package Designed to Focus on Long-Term Management (FY2022)
The chart (lower left) shows the components of remuneration for Corporate Executive Officers for FY2022. The standard payment amount is used to depict remuneration linked to business results and stock-based compensation is calculated based on the fair value of stock acquisition rights and the issue price of restricted stock as of the date granted in FY2022. Accordingly, the proportion of each component based on the amount actually paid will differ from the chart. Due to rounding, individual sums may not total 100%.

Management Succession

Sony places priority on CEO succession to realize sustainable value creation throughout the Sony Group. In the CEO succession planning process, the Nominating Committee, composed entirely of independent outside Directors, vets potential successors based on the Sony CEO's qualifications. It does so in frequent consultation with executives, including the CEO, and reports its recommendations to the Board of Directors. In addition to CEO succession planning, the Nominating Committee assesses succession plans for Senior Executives with key management responsibilities for individual business units and headquarters functions, based on reports from management side, including the CEO.

CEO Succession Planning Process

CEO succession planning involves defining the qualifications that Sony seeks in CEOs able to manage its diverse businesses as a unified Group, screening both internal and external candidates, and comparing the two groups, so as to ensure the thoroughly objective evaluation of successor candidates. Sony looks for candidates both internally and externally on a year-round basis. The Nominating Committee narrows down the pool of candidates by vetting them in light of their potential to fulfill the CEO role, and then reviews both near-term and longer-term CEO successor candidates based on their anticipated timelines toward becoming CEO.

Initiatives to Develop Next-Generation, Cross-Group Executives

Identifying and developing future leaders is a key element of Sony's management strategy. Sony provides opportunities for professional growth across the Sony Group by leveraging the comprehensive capabilities of its diverse businesses. In 2000, Sony University was established to cultivate talent able to lead Group management through programs designed to foster top management candidates and global leaders who will play key roles in driving the business forward. Further, since 2022 the Sony Cross-Mentoring Program has been provided to employees aiming to deepen their understanding of new fields beyond their own business area, thereby developing new awareness and ideas while offering an opportunity for networking through the strategic connections between management teams and the next generation of leaders beyond the borders of businesses.

Strengthening the Sony Group's Management Structure

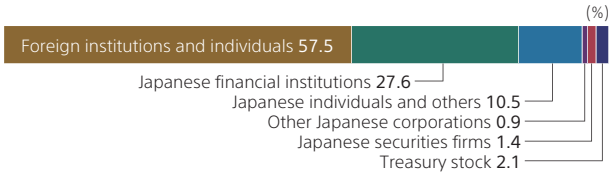
In July 2022, considering how the business environment was dramatically changing on a global scale, the management team proposed to Mr. Sumi, then Chairman of the Board and Chair of the Nominating Committee, a recommendation to newly appoint Hiroki Totoki, then Executive Deputy President and CFO, as President and COO to further strengthen the Sony Group's management structure. After multifaceted analysis by the Nominating Committee, including assessment of the need for a COO and Totoki's suitability for the role and that of President, and individual interviews between members of the Nominating Committee and Totoki, it was discussed and then unanimously approved by the Board at the Board meeting in February 2023. Finally, on April 1, 2023, Totoki became the President, COO, and CFO, as the management partner of Yoshida, who became Chairman and CEO. This change made clearer the new structure wherein these two individuals are mainly responsible for leading Sony.

Sustainability Report 2023 > Corporate Governance
Sustainability Report 2023 > Employees

Corporate Data (As of March 31, 2023)

Company name	Sony Group Corporation
Founded	May 7, 1946
Headquarters	1-7-1 Konan, Minato-ku, Tokyo 108-0075, Japan
Common stock	880.4 billion yen
Subsidiaries	1,627
Affiliated companies	155 Out of which 1,597 are consolidated subsidiaries (including structured entities), and 141 are equity-method affiliates (including jointly-controlled entities)
Headcount (consolidated)	113,000
Listed stock exchanges	Tokyo Stock Exchange (Japan) New York Stock Exchange (outside Japan)
Shares per unit	100
Fiscal year-end	March
Ordinary general meeting of shareholders	June
Number of shares issued	1,261,081,781
Number of shareholders	395,668

Distribution by Shareholder Type



Selection for ESG Indices

FTSE4Good

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Sony Group Corporation has been independently assessed according to the criteria of the FTSE4Good and FTSE Blossom Index Series and has satisfied the requirements to become a constituent of those index series. Created by the global index provider FTSE Russell, those index series are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices and used by a wide variety of market participants to create and assess responsible investment funds and other products.

MSCI ESG RATINGS AAA

CCC | B | BB | BBB | A | AA | AAA

2023 MSCI ESG Leaders Indexes Constituent

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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Disclosure of Financial and Non-Financial Information

Corporate Report 2023

Integrated report covering financial and non-financial information, such as business strategy and management policies for medium- to long-term value creation

- Message from the CEO
- Value Creation at Sony
- Value Creation in Each Business
- Corporate Governance

Investor Relations Website

A business overview, with financial and non-financial information, particularly relevant to investors and shareholders

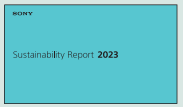
Meetings for Investors
- Corporate Strategy Meeting
- Earnings Announcement
- Business Segment Meeting
- Sustainability Meeting
- R&D Strategy Meeting

Financial Reports
- Securities Report (Japanese only)
- SEC Filings

Corporate Governance and Internal Controls
- Corporate Governance Report

Sustainability Report 2023

Covers non-financial information, such as activities related to sustainability and CSR, relevant to a wide range of stakeholders



- Approach to Sustainability
- Technology
- Environment
- Employees
- Respect for Human Rights
- Responsible Supply Chain
- Quality and Customer Service
- Community Engagement
- Ethics and Compliance
- Corporate Governance

Cautionary Statement

Statements made in this report with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Sony adopted International Financial Reporting Standards (IFRS) starting in the three-month period ended June 30, 2021, in lieu of the previously applied generally accepted accounting principles in the United States (U.S. GAAP). The results for the fiscal year ended March 31, 2021 are also presented in accordance with IFRS. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

(i) Sony's ability to maintain product quality and customer satisfaction with its products and services;
(ii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including image sensors, game and network platforms, smartphones and televisions, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing customer preferences;
(iii) Sony's ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
(iv) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;
(v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;
(vi) Sony's continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;
(vii) Sony's reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;
(viii) the global economic and political environment in which Sony operates and the economic and political conditions in Sony's markets, particularly levels of consumer spending;
(ix) Sony's ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;
(x) Sony's ability to forecast demands, manage timely procurement and control inventories;
(xi) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets, liabilities and operating results are denominated;
(xii) Sony's ability to recruit, retain and maintain productive relations with highly skilled personnel;
(xiii) Sony's ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;
(xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
(xv) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
(xvi) risks related to catastrophic disasters, geopolitical conflicts, pandemic disease or similar events;
(xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
(xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. The continued impact of developments relating to the situation in Ukraine and Russia could heighten many of the risks and uncertainties noted above. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.

Note to the Financial Information without Financial Services

Financial information without Financial Services presented in this report is not in accordance with International Financial Reporting Standards (IFRS), which is used by Sony to prepare its consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony utilizes this information to analyze its results without the Financial Services segment and believes that a comparative presentation may be useful in understanding and analyzing Sony's consolidated financial statements.

Editorial Policy

Sony's *Corporate Report 2023* is an integrated report that covers the worldwide business activities of Sony Group on a consolidated basis. The report's purpose is to comprehensively communicate financial information, including business results, policies for medium- to long-term value creation and business strategies, and non-financial information to Sony's stakeholders.

Reporting Scope

Scope: Sony Group Corporation, consolidated subsidiaries and other companies within the scope of consolidation

Period: FY2022 (April 1, 2022—March 31, 2023)
Certain subsequent information announced by August 25, 2023 is also included.

Note: In this report, "Sony" and "the Group" refer to the "Sony Group," as distinct from Sony Group Corporation and Sony Corporation. The "Sony Group" refers to Sony Group Corporation (the parent company operating in Japan) and all consolidated subsidiaries in which Sony Group Corporation holds a capital stake of more than 50%.
For a list of consolidated subsidiaries please see "Affiliated Companies" on Sony's website.

Affiliated Companies

https://www.sony.com/en/SonyInfo/CorporateInfo/Subsidiaries/

Guidelines Referenced

Integrated Reporting, International Integrated Reporting Council
Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry, Government of Japan
Environmental Reporting Guidelines 2018, Ministry of the Environment, Government of Japan
GRI Standards (2016), Global Reporting Initiative

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